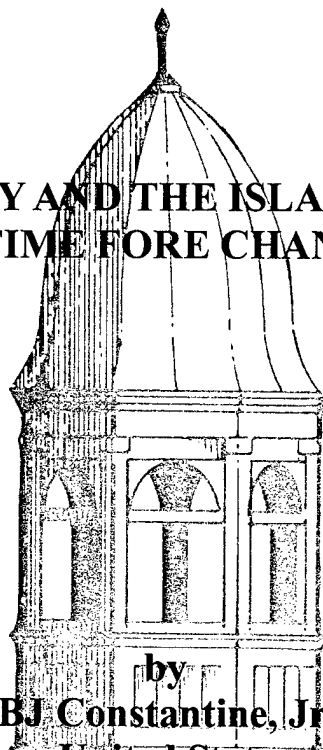


**The Center for Naval
Warfare Studies**

**UNITED STATES POLICY AND THE ISLAMIC REPUBLIC OF IRAN:
A TIME FOR CHANGE?**



by
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United States Policy and the Islamic Republic of Iran:
A Time for Change?

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6 March 2000

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Foreword

Current US policy toward the Islamic Republic of Iran is containment of Iran's opposition to the Middle East peace process, its support for global terrorism, and its development of weapons of mass destruction – specifically nuclear weapons. The United States has not had formal diplomatic relations with Iran since 1979, when a group of students seized the US Embassy in Tehran and held 52 American citizens hostage in the Embassy for 444 days.

The purpose of this paper is to enlighten the reader on US policy toward Iran while providing current information on Iran's government, economy, military, culture, religion, and political process. Finally, this paper presents arguments for a change in current US policy concerning Iran, moving from isolation and containment toward engagement and, eventually, rapprochement.

Iran holds geostrategic importance to the United States for several reasons. Iran is the most populated country in the Persian Gulf region, with over sixty-five million citizens. Iran is OPEC's second largest oil producer and holds nine percent of the world's oil reserves and fifteen percent of its gas reserves. The Islamic Republic occupies half the coastline of the Persian Gulf and one side of the Strait of Hormuz, through which a great deal of the world's oil supply transits. Iran borders the Caspian Sea, the Caucasus, and Central Asia. Finally, Iran shares a 900-mile border with Iraq, the United States' most significant and formidable threat today.

Iran's government is the most democratic system of government in the Persian Gulf region, offering its citizens, from age sixteen and including women, the constitutional right to elect the country's political leaders. However, the country's bipolar political system, under which the country's senior Islamic cleric and most powerful leader is appointed by the parliament, has not always ensured Iranians the government they desired. In 1997, Iranians elected reformist-minded Mohammad

Khatami as the President of the Islamic Republic. Khatami promised to return Iran to a "rule of law," rather than by the current authoritarian and vigilante means of government imposed by Iran's Islamic clerics.

Since his election, Khatami has made several improvements in the government of Iran. However, he is significantly limited by the changes he and his reformist coalition can effect. The country's Supreme Leader, Ayatollah Sayeed Ali Khomeini, wields far more power than Khatami, and controls the parliament, the military, and the state's intelligence service. The Iranian parliament has, since the 1979 Iranian Revolution and the consequent inception of the Islamic Republic, remained under control of conservative, anti-Western Islamic clerics. However, Iranians elected a new parliament on 18 February 2000, and early estimates are that reformists have won over sixty percent of the 290 seats in the parliament.

This election sends a tremendous message to the world that Iranian citizens are tired of Islamic rule which, for twenty years, has resulted in Iran's crumbling economy, high inflation and unemployment rates, rampant government corruption, and stifling social, political, and religious restrictions. The newly elected reformists have promised to reverse the iron-fisted rule of the Islamic clerics, and to improve the quality of life for all Iranians.

The United States must take the initiative to change its policy of containment and isolation toward Iran. The time is right for both nations to move toward warmer relations. Iran's citizens have shown that they are ready for a change, and that they want to move toward better relations with the West, particularly the United States. They realize that better economic and diplomatic relations with the US will help their nation reverse many of the domestic and international challenges they have faced for nearly two decades.

Chapter One

Introduction

...we do not harbor any ill wishes for the American people, but in fact we consider them to be a great nation. Our aim is not even to destroy or undermine the American government. These slogans symbolize a desire to terminate a mode of relations which existed between Iran and the United States... nothing should prevent dialogue and understanding between two nations, especially between their scholars and thinkers. Right now, I recommend the exchange of professors, writers, scholars, artists, journalists, and tourists... There must first be a crack in this wall of mistrust to prepare for a change and create an opportunity to study a new situation.¹

The above text is from Iranian President Mohammad Khatami's historic interview with CNN Correspondent Christian Amanpour, broadcast worldwide on 7 January 1998.

Khatami began his remarks with the traditional Islamic introduction to all public speeches, "In the Name of Allah, the Beneficent, the Merciful," and indicated that the Iranian people are "ready for a dialogue with the American people."² In response to Khatami's remarks, Secretary of State Madeleine Albright called for the two nations to

¹ President Mohammad Khatami, Interview by Christian Amanpour on Cable News Network, 7 January 1998. Available [Online]: <<http://www.american-iranian.org/khatami.html>> [23 December 1999].

² Ibid.

"bring down the walls of mistrust" so that "we can develop with the Islamic Republic, when it is ready, a road map leading to normal relations."³

President Bill Clinton responded that Khatami's speech was encouraging, and that it would be his fondest wish to have US representatives "have face-to-face conversations with authorized representatives of the Iranian government."⁴

The United States and Iran have been without diplomatic relations since 1979 when a mob of angry Iranian students took over the American Embassy in Tehran and held as hostages more than 50 American diplomats and military personnel for 444 days.⁵ Since then, the United States Government has imposed economic sanctions against Iran and has attempted to isolate Iran militarily, politically, diplomatically, and economically, under a policy of "dual containment." Under dual containment America simultaneously treats Iran and Iraq as pariah states, but there has been increasing pressure from the American business community, diplomats, foreign policy analysts, private citizens, and some of the United States' closest allies to resume political and economic relations with Iran.

Iran and the US now face a strategic turning point in their relations. The cost of continuing the confrontation and hostility that has existed between our two nations far exceeds any benefit either might hope to realize by maintaining mutual isolation. The political climate in Iran has changed dramatically since President Mohammad Khatami's

3 "Roll Call," Mobile Issue Ad, *Washington Post*, 29 June 1998. Available [Online]: <<http://www.usaengage.org/news/980629roll.html>> [1 December 1999].

4 "US Responds With Interest to Khatami Overture," *Deutsche Presse-Agentur*, 15 December 1997. Available [Lexis/Nexis]: MDEAFR/ALLMDE [24 January 2000].

5 Sandra Mackey, "A Culture, More Than a State, Reaches Out," *The Los Angeles Times*, 9 January 1998. Available [Online]: <<http://www.american-iranian.org/newpage11.htm>> [9 December 1999].

election in May, 1997 and, although many anti-Western hard-liners maintain key positions in the government of the Islamic Republic, there is growing evidence among the reformist (or modernist) population of Iran that now is the time for a step toward improved relations with the US.

This paper will address several questions about US – Iranian relations, including:

- how badly is Iran hurting economically?
- how far will Iran go to show they are less belligerent towards the United States?
- how far will Supreme Leader Mohammad Khomeini and his pro-regime hard-liners let President Mohammad Khatami deal with the United States?
- What impacts will the February, 2000, Iranian parliamentary elections have on future US-Iranian relations?
- what are potential political, diplomatic, and military solutions and benefits for the United States?
- how can we best meet and protect both US and Iranian interests?

Finally, this paper will propose an appropriate formula for political and diplomatic resolution of the current US – Iranian stalemate, moving cautiously from containment and isolation toward engagement and, ultimately, rapprochement.

Current US Policy Toward Iran

Current United States policy toward the Islamic Republic of Iran is containment of its opposition to the Middle East peace process, its support for global terrorism, and its development of weapons of mass destruction - specifically nuclear weapons. Our policy

consists of three major tenets⁶: a demand that Iran "change not just words, but deeds;" "dual containment;" and the Iran-Libya Sanctions Act (ILSA - also known as the D'Amato Act, for Senator Alfonse M. D'Amato (R-NY), who was its sponsor).

Sanctions

US sanctions against Iran consist of two separate sets of sanctions. The first is the ILSA, signed into law on 5 August 1996, imposing mandatory and discretionary sanctions on foreign companies that invest more than \$20 million in Iran or more than \$40 million in Libya.⁷ The ILSA:

- declares that the efforts of Iran and Libya to acquire weapons of mass destruction and their support of international terrorism endanger US and allied national security⁸

- declares that it is US policy to deny Iran the ability to support international terrorism and to fund its weapons of mass destruction by limiting development of its petroleum resources⁹

⁶ Lee H. Hamilton, "Reassessing US Policy Toward Iran" (speech delivered to the Council on Foreign Relations, Washington, DC, 15 April 1998), Available [Online]: <<http://www.usaengage.org/legislative/hamilton3.html>> [1 December 1999].

⁷ "US Companies Lose Out in anti-Iran Embargo," *Minneapolis-St. Paul (MN) Star-Tribune*, 1 October 1997. Available [Online]: <<http://www.usaengage.org/news/971001st.html>> [12 December 1999].

⁸ "The Iran and Libya Sanctions Act," The Jewish Student Online Research Center (JSOURCE), Undated. Available [Online]: <http://www.us-israel.org/jsource/US-Israel/iran_libya_sanctions_act_sum.html> [9 January 2000].

⁹ Ibid.

- urges the President of the United States to begin immediate negotiations to establish a multilateral sanctions regime against Iran, specifically targeting the development of its petroleum resources¹⁰

- requires the President to impose two of six sanctions on foreign entities that invest more than \$20 million in Iran or more than \$40 million in Libya¹¹

Senator D'Amato received tremendous support for ILSA from pro-Israeli lobbies in the US Congress, and particularly from the American Israel Public Affairs Committee (AIPAC), which played a large role in drafting the act and lobbying for its passage.

The second set of sanctions against Iran are those imposed by the Executive Branch in Executive Order 13059, issued by President Clinton on August 19, 1997. Although ILSA receives more attention and harsher criticism than the Executive Order, it is actually the Executive Order that places more severe restrictions on US business dealings with Iran.¹² The Order prohibits American businesses and their "foreign branches" from¹³:

- direct bilateral trade in goods and services with Iran
- new investment in Iran
- brokerage of third-country exports to Iran in controlled goods and services
- brokerage of Iranian exports to third countries in all goods and services

¹⁰ Ibid.

¹¹ "US Companies Lose Out in anti-Iran Embargo," [Online].

¹² Robert H. Pelletreau, Amb., Esq., "US Sanctions on Iran: How Long Will They Last?" *Middle East Executive Reports, Ltd.* Available [Lexis/Nexis]: MDEAFR/ALLMDE [24 December 1999].

¹³ "Iran: The USA Embargoes Itself." *The Economist Intelligence Unit (Ltd.) Business Middle East*. 16 May 1995. Available [Lexis/Nexis]: MDEAFR/ALLMDE [24 November 1999].

The Executive Order also bans any "contract for the financing of the development of petroleum resources located in Iran."¹⁴

Iran's Geostrategic Importance to the United States

Iran has always been an important country to the United States, and this importance has not diminished.¹⁵

- Iran is the most populated country in the Persian Gulf region, with over 65 million citizens.¹⁶
- Iran is OPEC's second largest oil producer (after Saudi Arabia) and accounts for roughly 5% of global oil output.¹⁷
- Iran holds 9% of the world's oil reserves and 15% of its gas reserves (the world's second largest gas reserves next to Russia).
- The Islamic Republic occupies half the coastline of the Persian Gulf and one side of the Strait of Hormuz, through which a great deal of the world's oil transits. Militarily, Iran could significantly harass and impede the movement of Gulf oil through the Strait.
- Iran borders the Caspian Sea, the Caucasus (Armenia and Azerbaijan), and Central Asia, where huge reserves of oil and gas are now being tapped.

¹⁴ United States Energy Information Administration, April 1999. Available [Online]: <http://www.eia.doe.gov/emeu/cabs/iran.html> [27 December 1999].

¹⁵ Lee H. Hamilton, "Reassessing US Policy Toward Iran," [Online].

¹⁶ *CIA World Factbook*, 1999, Available [Online]: <http://www.odci.gov/cia/publications/ir/html> 8 February 2000.

¹⁷ United States Energy Information Administration, [Online].

- One of the safest, easiest, and most economic ways to transfer oil and natural gas from Central Asia and Caucasia is through Iranian territory.¹⁸
- Iran has a 900-mile border with Iraq. Simply by proximity, Saddam Hussein is a bigger threat to Tehran than to Washington. Past actions have proven Saddam's aggressiveness toward his neighbor: he invaded Iran, used chemical weapons there, and assassinated top Shiite clerics.¹⁹

If US Relations With Iran Don't Improve...

- We harm the competitiveness of US companies operating in Central Asia by limiting their actions in the region and by allowing foreign companies more opportunity to develop and profit from the region.
- We make it difficult and more costly for new energy supplies from this region making their way into the world market.
- We further complicate our relationship with Iraq: in the event the United Nations lifts sanctions against Iraq it would be in the best interest of the US to have Iran as an ally, rather than having two enemies in the region.
- We continue to cause tensions between the US and many close European allies, who continue economic relations with Iran, despite unilaterally-imposed US sanctions which threaten to fine foreign companies who continue doing business with Iran. "The United States has lost the support of several of its allies on its Iran policy, while punitive

¹⁸ "Iran Foreign Minister Expects Eventual Lifting of US Sanctions." *Jiji Press Ltd.*, 22 December 1998. Available [Lexis/Nexis]: MDEAFR/ALLMDE [24 December 1999].

¹⁹ Graham E. Fuller, "Repairing US-Iranian Relations," *Middle East Policy*, vol. VI, no. 2, October 1998. Available [Online]: <<http://www.geocities.com/CapitolHill/Lobby/3163/mepc.html>> [9 November 1999].

US sanctions upon allies now hinder cooperation in many others of broad strategic interest in the region."²⁰

- We won't realize the full potential of the Middle East peace process - Iran is too large a player not to be a part of the process, even though she presently opposes the peace with Israel. Although at this point in time, neither Iran nor Israel would welcome the other to the negotiating table, in time, both will need to realize the strategic importance of a comprehensive Middle East peace.

- We continue to deprive American companies the opportunity to take part in Iran's lucrative economic markets while Europe, Japanese, Russian, and Asian countries are successfully exploiting Iran's economic development.²¹

- US oil companies miss the opportunity of participating in developing Iran's energy resources.

History of US Sanctions

Governments impose economic sanctions against countries whose actions or policies they desire to change. Some economic sanctions are effective in influencing the behavior of targeted countries, while others are not. The US-imposed trade embargo of Cuba has been in effect since 1962. The US sought to isolate and weaken Fidel Castro's communist government and bring about its downfall. Today, nearly 30 years since the US Government imposed the sanctions, Castro and his regime are still standing.²²

²⁰ Ibid.

²¹ "Iran Foreign Minister Expects Eventual Lifting of US Sanctions," [Lexis/Nexis].

²² Louis Uchitelle. "Who's Punishing Whom?; Trade Bans Are Boomerangs, US Companies Say," *The New York Times*, 11 September 1996. Available [Lexis/Nexis]: MDEAFR/ALLMDE [24 November 1999].

In 1980 and 1981, the United States ceased exporting grain to the USSR, in an effort to force the Soviet Union to withdraw its troops from Afghanistan. However, after determining that the embargo was ineffective, President Reagan lifted it and allowed US grain to be sent to the USSR. Although the Soviets eventually withdrew from Afghanistan, it was not because of the US embargo.²³

In 1990, the international community imposed sanctions against Iraq in an attempt to force Saddam Hussein to withdraw his troops from Kuwait and to weaken Hussein's government. Although Kuwait was freed, it was through military force and not because of the sanctions. The sanctions have affected Iraq economically, but Saddam Hussein is still in power and several countries no longer support the maintenance of the sanctions.²⁴

Sanctions against Iran have achieved some success. The economy of Iran continues to suffer, but this is attributed more to government corruption and ineffective domestic politics than directly to the unilaterally imposed US economic sanctions against Iran. Several members of the US business community, as well as members of Congress, are now pushing for the lifting of the sanctions against Iran.

Key Iranian Leaders and Their Responsibilities

The government of the Islamic Republic of Iran is a theocratic republic, with its headquarters in Tehran. The Chief of State of the government, also referred to as the "Supreme Leader" and the "Leader of the Islamic Revolution," is Ayatollah Ali Hoseini KHAMENEI, appointed for life by an Assembly of Experts. The Head of Government is

²³ Ibid.

²⁴ Ibid.

President Mohammad KHATAMI-Ardakani, popularly elected into a four-year term in May 1997.²⁵

Each of these leaders maintains separate and distinct responsibilities, as established by the constitution of the Islamic Republic. Article 110 of the constitution lists the following duties and powers of the Supreme Leader:²⁶

1. Delineation of the general policies of the Islamic Republic of Iran after consultation with the nation's Expediency Council.
2. Supervision over the proper execution of the general policies of the system.
3. Issuing decrees for national referenda.
4. Assuming supreme command of the armed forces.
5. Declaration of war and peace, and the mobilization of the armed forces.
6. Appointment, dismissal, and acceptance of resignation of:
 - the *fuqaha* [Islamic jurists] on the Guardian Council
 - the supreme judicial authority of the country
 - the head of the radio and television network of the Islamic Republic of Iran
 - the chief of the joint staff
 - the chief commander of the Islamic Revolutionary Guard Corps
 - the supreme commanders of the armed forces
 - the state's intelligence services

²⁵ *CIA World Fact Book*, 1999.

²⁶ Government of the Islamic Republic of Iran. *Constitution of the Islamic Republic of Iran*. Available [Online]: <http://www.salamiran.org/IranInfo/State/Constitution> [26 January 2000].

7. Resolving differences between the three wings of the armed forces and regulation of their relations.
8. Resolving the problems, which cannot be solved by conventional methods, through the nation's Expediency Council.

Article 113 lists the following responsibilities of the President of the Islamic Republic:²⁷

"After the office of Leadership (the Supreme Leader), the President is the highest official in the country. His is the responsibility for implementing the Constitution and acting as the head of the executive, except in matters directly concerned with the Leadership."

Ayatollah Ali Hoseini KHAMENEI, Supreme Leader of the Islamic Republic, assumed Iran's top leadership position after the death of Ayatollah Khomeini in August 1989. Khomeini had been serving as the country's president since 1981 when an Assembly of Experts from the Islamic Republic's highest clerics chose him to succeed Ayatollah Khomeini. Khomeini, a descendent of the Islamic Prophet Mohammad, was educated strictly in Iran (at the Academy of Theology, Qum University). The Ayatollah has a mastery of Arabic, Turkish, English, as well as his native Farsi. He was a founding member of Iran's Islamic Republic Party and served as Secretary-General of the party. Khomeini is married and has six children.²⁸

President Mohammad KHATAMI-Ardakani is the fifth President of the Islamic Republic. He was born in Ardakan in 1943 to a religious family. President Khatami

²⁷ Ibid.

²⁸ "Biography of H.E. Ayatollah Sayyed Ali Khomeini, The Leader of the Islamic Republic of Iran." Salam Iran. Available [Online]: <<http://www.salamiran.org/IranInfo/State/Leadership/Leaderbiography.html>> [2 March 2000].

entered the Qom Theology School in 1961, earned his BA in philosophy from Isfahan University, and returned to the Qom Seminary to study religious leadership. He was involved in the anti-Shah campaign and began political activities with the Association of Muslim Students of Isfahan University, where he worked with Ayatollah Khomeini's late son Ahmed Khomeini, and Mohammad Montazeri.

President Khatami served as chairman of the Islamic Center of Hamburg, Germany, prior to the 1979 Islamic Revolution. In 1982, the late Ayatollah Khomeini appointed Khatami as Minister of Culture and Islamic Guidance. During the Iraqi War (1980 – 1988), Khatami served as Deputy Chief and later as Chief, Joint Command of the Armed Forces, and as Chairman of the War Propaganda Headquarters.

After the War, President Akbar Hashemi Rafsanjani re-appointed Khatami as Minister of Culture and Islamic Guidance in 1989. Khatami resigned from this position in 1992 and served as Cultural Advisor to President Rafsanjani and as head of Iran's National Library. Khatami is fluent in English, German, and Arabic, as well as his native Persian. Khatami was popularly elected to the presidency of the Islamic Republic in May, 1997, with 20,078,178 votes, nearly seventy percent of the votes cast in that election.²⁹

Khatami entered into office understanding that Iran faced several critical problems – problems that the revolution and two decades of Islamic rule had not resolved. Indeed, Iranian policies following the revolution probably contributed to most of the country's problems. During this period, economic, political, and social problems made life difficult for most Iranians. The population grew more and more unhappy about their low quality

29 Mohammad Khatami, *Hope and Challenge: The Iranian President Speaks*, trans. Alidad Mafinezam (New York: Institute of Global Studies, Binghamton University, State University of New York, 1997), 98.

of life, high unemployment, and stifling social restrictions placed upon them by the cleric-run Islamic government. The population was also becoming younger, mainly due to the government's call to Iranian women to populate the Islamic Republic with a new generation of revolutionaries.

Another problem Iran, and therefore President Khatami faced, was the rule of law. "For various cultural and historical reasons, neglecting order and disregarding the law have become the habits of this society,"³⁰ Khatami stated in an address to his constituents, continuing "We hope to gradually witness a more legal society... with more clearly defined rights and duties for citizens and the government."³¹ Khatami saw one of his major challenges as the return the rule of law to the citizens of Iran, and to diminish the aggressive vigilante policing practiced by the Revolutionary Guards and the state police.

³⁰ Ibid., 88.

³¹ Ibid., 88.

Chapter Two

Diplomatic and Political Initiatives

President Mohammad Khatami has sent several signals to the United States and the world, indicating his willingness to test the waters for improved relations. While these signals have been cautious and tentative, they have served as an indication that Iran's tone is no longer completely antagonistic, and that the lasting message of President Khatami's 1997 election seems to be that Iran is ready for change. The reality of the situation, however, is that Khatami can only go so far in his dialogue and commitment with the outside world. He must deal with Supreme Leader Ayatollah Seyyed Ali Hussein-Khamenei, and Khamenei's hard-line clerics who vehemently oppose any thaw in relations between the Islamic Republic and the West.

Khatami's Election

President Mohammad Khatami was elected in May of 1997 in an unexpected landslide success. His election immediately heralded changed in Iran and the emergence of a new political power in the country.

Khatami was not the candidate of the country's Supreme Leader Khomeini or of the conservative religious clerics of the *Majlis* – the Iranian parliament. He defeated the main conservative opponent, Nateq Nouri, who had higher levels of funding, the support of Iranian media, and the backing of the conservative clerics and *Majlis* throughout the

country.³² Khatami did, however, win 69 percent of the total votes, with most of his support coming from youth, women, and Iranian citizens who simply wanted to see a change in a government that controls virtually every aspect of their daily lives.³³ Khatami promised his constituents a more open society and return of the country to a "rule of law," rather than rule by the current authoritarian and vigilante means of government.³⁴ Khatami took office on 4 August 1997.³⁵

Khatami enjoys tremendous support from most Iranians, but there are those who oppose his regime. Conservative Iranians are calling for Khatami to slow down with his changes, and to continue to conduct missile tests and military maneuvers. Although the hard-liners have refrained from direct attacks on Khatami because of his popularity, several of Khatami's supporters have been politically assaulted.³⁶ Some of Khatami's cabinet members, including Interior Minister Abdullah Nouri and Foreign Minister Kamal Kharrazi, have been politically harassed for being seen as too liberal, and hard-liner attempts to impeach cabinet members are frequent occurrences.³⁷

32 Anthony H. Cordesman, *Iran in Transition: Uncertain Hostility, Uncertain Threat*, CSIS on the Hill. Available [Online]: <<http://csis.org/hill/ts050698.html>> [8 January 2000].

33 Iran's voting age is sixteen, and the country has become increasingly younger over the past two decades. Many of the young voters responsible for Khatami's election have no memory of the revolution, and certainly no idea of life prior to the revolution. The youth group is now Iran's largest constituency, and the one most favoring change.

34 Robert H. Pelletreau, Amb., Esq., "How Much Longer for US Sanctions on Iran?" (speech delivered to The Iranian Petroleum Summit, London, 14 September 1998).

35 "Washington Dateline," *Associated Press*, 9 February 1998. Available [Lexis/Nexis]: MDEAFR/ALLMDE [18 December 1999].

36 Jahangir Amuzegar, "Khatami's Iran, One Year Later," *Middle East Policy*, vol. VI, no. 2 (October 1998), 83.

37 "How US Policy Helps Iran's Hardliners Undermine Khatami," *Mideast Mirror*, 17 June 1998. Available [Lexis/Nexis]: MDEAFR/MDEMIR [8 December 1999].

In fact, the hard-liners removed Abdullah Nouri, a cleric and a personal friend of Khatami, from his position as Interior Minister. Nouri was recently convicted of apostasy, insulting Islam, defying Islam's sacred beliefs, spreading lies, sowing confusion, and of insulting Ayatollah Khomeini. He was sentenced to five years in prison and banished from politics for five years, and currently serves his sentence at Tehran's Evin Prison. Ironically, Evin was the mountainside prison that housed and executed many of the Shah's allies after the 1979 revolution.³⁸

Ultimately, however, the greatest threat to the Khatami regime remains the possibility of his assassination, in view of his radical new approach to governing the Islamic Republic.

Khatami's CNN Interview

On 7 January 1998, CNN Correspondent Christian Amanpour interviewed President Mohammed Khatami in Tehran. This interview was broadcast worldwide over CNN's cable and satellite networks, and marked an historic and significant lifting of the veil of secrecy, silence, and mystery under which the Islamic Republic of Iran exists. Prior to the interview, Khatami announced that he had a "historic message" to deliver to the people of America; he proceeded with a prepared speech to America's government and its people.

³⁸ John F. Burns, "Court Silences Popular Iran Reformist With a Jail Term," *The New York Times*, 28 November 1999, A1.

Khatami opened his speech with the statement that "we are at the close of the 20th century, leaving behind a century full of inequality, violence, and conflict."³⁹ He continued by saying that it was time to begin a new century of "humanity, understanding, and durable peace."⁴⁰ He further stated his respect for the American people and commended the Anglo-American approach to making religion and liberty exist consistently and compatibly.

The speech was not, however, all positive. Khatami stated that America's policies, "outside the United States," were incompatible with the American civilization, which is founded on democracy. Khatami went on to address America's "flawed policy of domination," which, he claimed, "severely damaged, deprived, and oppressed nations," and "dashed the hopes of the people of the colonized world who had placed their trust in the US tradition of struggle for independence."⁴¹

Khatami's main criticism of the United States, and particularly US foreign policy, was that the US continues to be a prisoner of cold war mentality, and tries to create a perceived enemy. Specifically, Khatami claimed that, since the collapse of communism, certain "circles" in the US government have portrayed Islam as the new enemy and that they are "targeting progressive Islam rather than certain regressive interpretations of Islam." The US, Khatami claimed, "attacks an Islam which seeks democracy, progress, and development; an Islam which calls for utilization of achievements of human civilization, including those of the West."⁴²

39 President Mohammad Khatami. Interview by Christian Amanpour, Cable News Network Broadcast, Tehran. Iran, 7 January 1998.

40 Ibid.

41 Ibid.

42 Ibid.

Amanpour asked President Khatami what he could say to the "average American" listening to the interview, one who is only familiar with a single image of Iran, that image being "death to America" chants and demonstrations, the burning of the American flag, and the hostage situation of 1979. Khatami responded that slogans are being changed in Iran, that "we do not harbor any ill wishes for the American people," and that "our aim is not to destroy or undermine the American government."⁴³

When asked if he were prepared to sit down and talk with the American government about the issues discussed in the interview, Khatami stated that "nothing should prevent dialogue and understanding between two nations, especially between their scholars and thinkers." He continued, "I recommend the exchange of professors, writers, scholars, artists, journalists, and tourists."⁴⁴

On the subject of political ties, Khatami remained cool, stating that because US foreign policy behavior toward Iran had "inflicted damages upon the Islamic Republic," and that, because of many progressive countries, including European countries, "we are carrying out our own activities and have no need for political ties with the United States."⁴⁵ Although Khatami's interview signaled a certain willingness for Iran to communicate with the West, it also conveyed the firm message that Iran would proceed only so far, and that it still has strong political objections to US foreign policy as it pertains to the Islamic Republic.

43 Ibid.

44 Ibid.

45 Ibid.

Diplomatic Initiatives by Both Sides

Khatami's election in 1997 sent a worldwide message that change is coming to the Islamic Republic of Iran, perhaps not so much due to outside pressure, but because Iranians themselves wish to see "a relaxation of strict clerical controls on their society and a reopening to the external world."⁴⁶

Further, recent local elections show that Iranians overwhelmingly support moderate politicians who align themselves with President Khatami's reformist policy. The fact that these elections were even held makes the statement that Iranians seek political and social reform. Although authorized by Iran's constitution, local elections in the cities and villages had not been held for the past twenty years. President Khatami pushed for these local elections to take place, in defiance of the theocrats; the result is that Iran has gone from having fewer than 400 elected officials in city governments to having almost two hundred thousand in 1999.⁴⁷

Also since Khatami's election in 1997, Iran has instituted several internal measures encouraging greater openness in news publication, film making, and the arts, as well as "greater respect for the rule of law."⁴⁸

Iran finally joined the Chemical Weapons Convention in January 1998,⁴⁹ and has also ratified the Nuclear Weapons Non-Proliferation Treaty. Although Iran continues to

46 Robert H. Pelletreau, Amb., Esq., "The State Department, Congress, and Iran: Developments During the Clinton Years," (speech delivered to The Middle East Institute's and the University of Maine's Program on The US Congress and Iran: Twenty Years after the Revolution. Washington, DC. 29 January 1999).

47 Robin Wright, "We Invite the Hostages to Return: The Extraordinary Changing Voices of Iran's Revolution," *The New Yorker*, 8 November 1999, 40.

48 Robert H. Pelletreau, Amb., Esq., "The Positive Evolution in American-Iranian Relations," (speech delivered to The American-Iranian Council/Asia Society Panel, New York, 13 January 1999).

build its civilian nuclear energy infrastructure, it carefully avoids activities that would violate its NPT commitments. Still, the US is concerned that Iran is using its Russian and Chinese contacts to gain dual-use technology, experience, and expertise, which might eventually lead to nuclear weapons systems.⁵⁰

In early 1998, shortly after Khatami took office, the US Government delivered a letter through the Swiss Ambassador to Iran, Rudolph Weiersmueller, proposing face-to-face talks between the two governments.⁵¹ (Since the United States does not maintain diplomatic relations with Iran, we use the Swiss Embassy as an in-country liaison between the US Government and the Government of the Islamic Republic.) The answer to this letter seemed to come in the form of Khatami's CNN interview, directed at the US government and its citizens.

Of course, President Khatami's speech in January, 1998, in which he called for a "people to people dialogue, was perhaps the most important diplomatic signal Iran has sent."⁵² Our initial response to the speech was the June, 1998 speech of Secretary of State Madeleine K. Albright, in which she offered to help draw a "road map" to normal relations with Iran.⁵³

49 Michael Eisenstadt, "The Military Dimension," in *Iran Under Khatami: A Political, Economic, and Military Assessment* (Washington: The Washington Institute for Near East Policy 1998), 83.

50 Ibid., 83.

51 Matthew Campbell, "US in Secret Iran Talks Bid," *Times Newspapers Limited, Sunday Times*, 11 January 1998. Available [Lexis/Nexis]: MDEAFR/ALLMDE [12 December 1999].

52 Joe Barnes and Amy Myers Jaffe, "Let Oil Companies Talk to Iran," *The New York Times*, 2 August 1998. Available [Lexis/Nexis]: MDEAFR/ALLMDE [24 November 1999].

53 Reginald Dale, "US Needs a New Policy Toward Iran," *The International Herald Tribune*, 28 July 1998. Available [Lexis/Nexis]: MDEAFR/ALLMDE [24 November 1999].

On 29 January 1998 President Clinton addressed Muslims worldwide at the end of the Islamic holy month of Ramadan. He specifically mentioned that "Iran is an important country with a rich and ancient cultural heritage" and added that he "hopes that the US can once again have good relations with Iran."⁵⁴

Also in 1998, Iran began rapprochement with the Arab world and with Europe, and President Khatami told Palestinian Chairman Yassar Arafat that "Iran would support any agreement the Palestinian Authority reached with Israel,"⁵⁵ a dramatic departure from Iran's previous policy toward Israel. On 1 February Palestinian leader Yassar Arafat told US Secretary of State Madeleine Albright that Iran had given him their approval for "greater space" to search for a peace agreement with Israel.⁵⁶

However, on 31 December 1999, Iranian Supreme Leader Ayatollah Ali Khamenei called for the destruction of Israel, saying, "the only way to solve the problems of the Middle East is the annihilation and destruction of Israel."⁵⁷ Khamenei addressed rallies in Iran protesting Israel's control over Jerusalem, which is the third holiest site in Islam, after the cities of Mecca and Medina in Saudi Arabia. He declared the last Friday of Ramadan, the Islamic holy month, as "*Al-Quds Day*," or Jerusalem day, a day of protest to demonstrate to the world Jerusalem's importance to Muslims.

Also in early 1998, the United States agreed to participate with Iran in the United Nations' Afghanistan group (a UN group organized to study Afghanistan's current

⁵⁴ Sandra Sobieraj, "Clinton Makes Holiday Overture to Iranian People." Associated Press, 29 January 1998. Available [Lexis/Nexis]: MDEAFR/ALLMDE [8 January 2000].

⁵⁵ Robert H. Pelletreau, Amb., Esq., "The Positive Evolution in American-Iranian Relations."

⁵⁶ Barry Schweid, "US Encouraged by Iran's Overture." Associated Press, 2 February 1998. Available [Lexis/Nexis]: MDEAFR/ALLMDE [10 December 1999].

⁵⁷ Afshin Valinejad, "Iran Leader Calls for Israel's Annihilation," *The Boston Globe*, 1 January 2000, A4.

political and religious turmoil and to propose solutions to those issues) and began loosening the entry Visa procedures to Iranian citizens desiring to visit the US. Additionally, Secretary Albright's June, 1998, Asia Society speech called for "direct dialogue" and invited Iran to join the US in "developing a road map toward better relations."⁵⁸ She added that "it is time to test the possibilities for bridging this gap. Failure to do so would be irresponsible."⁵⁹

Shortly after President Khatami's CNN interview, the Iranian press agency announced that American wrestlers and officials would participate in an international competition in Iran in the fall of 1997. This would be the first time a US sports group visited Iran since the 1979 revolution.⁶⁰ The American wrestlers in Iran were given the "red carpet" treatment with flowers and candy upon their arrival in Iran. Unfortunately, the US was not such a gracious host to the Iranian team, as the United States Customs Service delayed, photographed, and fingerprinted Iranian wrestlers upon their arrival in the United States in February 1998.⁶¹ When America and Iran met on the soccer fields of the World Cup competition in France in June, 1998, President Clinton stated that the match provided a tremendous opportunity for both countries to "reach out and... take another step to end the estrangement between our two nations."⁶²

58 "Roll Call," Mobile Issue Ad, *Washington Post*, 29 June 1998. Available [Online]: <http://www.usaengage.org/news/980629roll.html> [1 December 1999].

59 Ibid.

60 "Iranian Tells US: React to Overture; President's Brother Seeks Clinton Action," *Chicago Tribune*, 15 January 1998. Available [Lexis/Nexis]: MDEAFR/ALLMDE [8 December 1999].

61 Ibid.

62 "Roll Call," Mobile Issue Ad.

Finally, in the Spring of 1998, President Khatami, in a public statement, denounced terrorism, one of the US's chief concerns for the Iranian government. This was a reiteration of similar comments from his January 1998 address to America on CNN.

During this initial period of Khatami's presidency, cultural exchanges occurred as American academics attended a Tehran conference on the Persian Gulf in February, 1998, and a team of Stanford University surgeons attended a Tehran conference in May.⁶³ American tourism to Iran has also increased slightly.

Another positive step was President Clinton's decision, on 8 May 1998, to waive the Iran-Libya Sanctions Act (ILSA) sanctions against France, Russia, and Malaysia, and their Total, Petronas, and Gazpron oil companies with respect to their decisions to invest in the development of Iran's South Pars natural gas fields. American business, however, remains concerned that this move will open the floodgates to more foreign industry and business in Iran, as they stand by with their hands tied.⁶⁴

Unfortunately, for the diplomatic process, Iran continues to deny the US Government's request to allow American consular officers into Iran to assist with the visa process, thereby facilitating the people-to-people exchanges both countries desire. The Washington Times reported that "Washington has informally approached Iranian officials about sending US envoys to Tehran for short visits."⁶⁵

63 "US Surgeons to Attend Iran Meeting," *FarsiNet News*, April 1998. Available [Online]: <http://www.farsinet.com/news/apr98.html> [11 December 1999].

64 Robert H. Pelletreau, Amb., Esq., "The US, Iran, and the Total Deals," *Mideast Mirror*, vol. 12, no. 104, 3 June 1998. Available [Lexis/Nexis]: MDEAFR/MDEMIR [24 November 1999].

65 Toni Marshall, "Tehran Opposes Visits by US Envoys," *Washington Times*, 24 November 1999, A6.

The opposition comes from Iran's Supreme Leader, Ayatollah Khamenei, who contends that America desires "to open an office for intelligence and political activities and forge ties with [the United States'] mercenaries."⁶⁶ These denials continue, even though the US routinely grants visas to Iranian officials to visit the Iranian Special Interests Section at the Pakistani Embassy in Washington, and grants visas to private Iranian citizens to visit the US.

Iran's War on Illicit Drugs

Iran has intensified its war on illegal drugs, repeatedly asking for Western financial and technical aid. As a result of Iran's efforts and cooperation, President Clinton removed Iran from the list of major drug-producing countries in December, 1998. However, the US has not supported Iran with any type of aid. Great Britain has provided Iran 1 million pounds as part of a UN counter-narcotics plan, and an additional 150,000 pounds in bilateral aid.⁶⁷

Iran held a drug-control seminar in November, 1999, headed by Vice President Mohammad Hashemi. This seminar was a signal that the Islamic Republic takes its counter-narcotic program seriously, and that it is willing to take all possible measures to win its war against illicit drugs.

Iran's Rapprochement with the Middle East and Europe

⁶⁶ "Iran Refuses to Admit US Consular Officers," *Los Angeles Times*, 24 November 1999, A4.

⁶⁷ Dr. Abbas W. Samii, "Iran and Drugs," Radio Free Europe/Radio Liberty, [email message] 2 February 2000.

Since Khatami's election in 1997, he has made several gestures of goodwill and a general indication of his desire to break Iran's isolation with European and Middle East countries.

On 9 March 1999, President Khatami arrived in Rome, Italy, for a three-day visit. His was the first such visit since the Islamic Revolution ousted the Shah in 1979. The government of Italy greeted Khatami with full military honors in anticipation of achieving political and economic rapprochement with the Islamic Republic. Khatami was greeted at Rome's airport by Italian Foreign Minister Lamberto Dini, and later met with President Oscar Luigi Scalfaro and the Pope at the Vatican. While Foreign Minister Dini stated Italy's keen interest in improving relations with Iran, he added, "Italy, of course, will be very careful to condemn abuses of human rights and democracy in Iran."⁶³

On 27 October 1999, Khatami visited Paris to hold talks with French President Jacques Chirac. The talks, marking the first trip to France by an Iranian leader since the 1979 Iranian Revolution, included human rights issues, economic cooperation, and the Middle East peace talks. Further, Iranian Foreign Minister Kamal Kharazmi visited London in January, 2000, to discuss counter-narcotics and economic cooperation between Iran and Great Britain.

Iran has also signaled its willingness to improve relations with several of its Middle East neighbors. Political relations between Saudi Arabia and Iran have warmed since President Khatami's election, and since Tehran hosted the Islamic Conference Summit meeting in December, 1997. Additionally, economic ties between the two countries have improved, as evidenced by the recent signing of a memorandum of

⁶³ Alessandra Stanley, "Iran's Leader Welcomed in Italy; Main Topic is Business." *The New York Times International*, 10 March 1999, A4.

understanding to promote closer economic cooperation between two of the world's key oil producers.

The volume of trade between Iran and Saudi Arabia in 1998 was \$135 million, down twenty percent from 1997. The trade memorandum, signed in early January, 2000, between Iranian Trade Minister Mohammad Shariatmadari and his Saudi counterpart, Trade Minister Osama Jaafar bin Ibrahim Faqih, is an attempt by both governments to improve economic relations and raise the volume of trade between the two countries.⁶⁹

Iranian Foreign Minister Kamal Kharrazi, visiting Oman in January, 2000, for a meeting of Indian Ocean States, delivered a message from Iranian President Mohammad Khatami to Oman's Sultan Qaboos to visit the Islamic Republic. Since Khatami's election, Egypt and Iran have renewed economic and diplomatic ties, and some reports indicate Iran is seeking closer military ties with Egypt.⁷⁰

As Iran prepares for the twenty-first century and the installation of its 2000 parliament, the Islamic Republic finds itself forming closer ties with Asia, Russia, and countries of the Middle East. If Iran's relations with the West, and particularly the United States, do not improve, Iran will be driven toward even closer ties with other nations in order to meet the economic and agricultural necessities of the nation.

69 "Iran and Saudi Sign Trade Agreement," *BBC World*, 21 January 2000. Available [Online]: <<http://www.iran-daneshjoo.org>> [22 January 2000].

70 Mahmood Monshipouri, "Iran's Search for the New Pragmatism," *Middle East Policy*, vol. VI, no. 2, October 1998, 96.

Chapter Three

Iran as a Military Threat

General Anthony C. Zinni, Commander in Chief, United States Central Command (CinC, USCENCTOM), considers Iran "potentially the most dangerous long-term threat in the Central Region."⁷¹ As Iranian leadership continues to call for the withdrawal of US forces from the Persian Gulf, Iran's neighbors in the region, particularly members of the GCC, remain understandably concerned about the Islamic Republic's long-term intentions in the region. Iran also realizes that it is the presence of US forces in the Persian Gulf that keeps Saddam Hussein from attempting to become the hegemon of the region.

In his book, *America and Iran: Road Maps and Realism*,⁷² Dr. Geoffrey Kemp, The Nixon Center's Director of Regional Strategic Programs, predicts that Iran's strategic goals, which drive its military spending and force structure, include preserving the regime; deterring Iraq, the United States, and Israel from possible attacks against the Islamic Republic; stabilizing its borders; remaining influential in the Islamic world; and asserting itself as the preeminent power in the Persian Gulf.⁷³

Does the Islamic Republic of Iran pose a formidable military threat to the West, the world, or its neighboring countries? If so, what is the greatest threat posed by Iran in terms of land, air, or sea threats? This chapter will address these issues, as well as Iran's pursuit and proliferation of weapons of mass destruction.

⁷¹ General Anthony C. Zinni, Speech Before The House Appropriations Committee, Subcommittee on National Security, 17 March 1998, 8.

⁷² Geoffrey Kemp, *America and Iran: Road Maps and Realism*. (Washington: The Nixon Center, 1998), 51.

General Posture of Iranian Forces

As long as Iran perceives the presence of US forces in the gulf region as a threat to its security, we must consider Iran's weapons production and procurement programs a significant threat against the US and the Middle East. Iraq destroyed forty percent of Iran's military hardware during the Iran-Iraq War.⁷³ Although Iran's conventional military forces, particularly its ground and air forces, continue to suffer significant weaknesses, it is clear that Iran has focused on the build-up of its Naval and Coastal Defense forces at the expense of its land and air forces. As long as United Nations sanctions against Iraq keep Saddam Hussein and his military forces weak, Iran will concentrate its limited fiscal capabilities on its maritime forces.

Iraq's continued presence in the radar screens of US and British military forces, as well as in the camera lenses of the world's media networks, provides reasonable assurance to Iran that Iraq will not attempt any sort of military aggression, via land or air, along the Iranian-Iraqi border. This assurance allows Iran to focus its military might in other directions. Additionally, the cost of procuring modern conventional weapons (missiles, tanks, aircraft, etc.) is prohibitively expensive for Iran.

The Iranian military consists of the regular armed forces (540,000 – 545,600 members), the Revolutionary Guard Corps (*Pasdaran Inqilab*) (125,000 members), reserve forces (350,000 members), and the Popular Mobilization Army (*Basij*) (40,000 members).⁷⁴ Supreme Leader Ali Khamenei is commander-in-chief of the armed forces, and maintains control of all arms and branches of the Iranian military.

⁷³ Ibid., 95.

⁷⁴ *The Military Balance*. (London: Oxford University Press, 1998), 126-128.

The Revolutionary Guard is more loyal to the revolutionary regime than Iran's regular military. The *Basij* is minimally trained and equipped, but is also loyal to the regime and falls under the Revolutionary Guard for training and lines of command.⁷⁵ *Basij* training includes political and religious indoctrination.

The decimation of Iran's military during the eight-year Iran-Iraq war has left a military structure faced with many deficiencies. US intelligence estimates are that "between forty and sixty percent of Iran's military equipment was destroyed, captured, or damaged during the Iran-Iraq War."⁷⁶ From equipment to training to leadership, the Iranian army and air force have made only minimal movement toward modernizing and improving its forces. Iran's navy, however, has made substantial gains in terms of patrol boats, mines, missiles, and submarines.

A tumultuous geopolitical environment surrounds Iran. From civil wars to its east, Saddam Hussein to its west, fragile former-Soviet states to the north, and nervous, US-protected GCC states to the south, and internal political, economic, and religious instability, it has been difficult for Iran to fully focus and resource its military forces. The result: poorly trained, equipped, and led ground and air forces which pose only a minimal threat to Iran's neighbors and to Western forces in the Gulf. It is Iran's naval forces that have received more of the country's defense budget, and that pose a more realistic and immediate threat to the region. Shahram Chubin's statement, "Iran, at present, is no more than a nuisance militarily,"⁷⁷ holds true as long as the US remains in the region to assist.

⁷⁵ Anthony H. Cordesman, *Trends in Iran: A Graphic and Statistical Overview* (Washington: Center for Strategic and International Studies, 1999), 30.

⁷⁶ Dariush Zahedi and Ahmad Ghoreishi, "Iran's Security Concerns in the Persian Gulf," *Naval War College Review*, Summer, 1996, vol. XLIX, no. 3, 10.

⁷⁷ Shahram Chubin, *Iran's National Security Policy: Intentions, Capabilities, and Impact* (Washington: The Carnegie Endowment for International Peace, 1994), 76.

the GCC states that cannot adequately defend themselves against Iran's military. Without this assistance, however, Iran's military, as it exists today, could pose a significant threat to its neighbors.

Iran is also faced with a multi-ethnic population of up to fifty percent of its population, and must always be concerned about nationalistic uprisings among these non-Persian Iranians.⁷⁸ Some regional experts, such as Dr. Ahmad Ghoreishi, Adjunct Professor at the Naval Postgraduate School, claim that "Iran's military might is insufficient to significantly influence its neighbors."⁷⁹ Others would certainly argue that attitudes such as Ghoreishi's minimize the true potential threat of Iran's military.

Military Budget and Expenditures

Since 1986, Iran has significantly decreased its overall military expenditures. In fact, Iranian military expenditures dropped from \$8.8B in 1986⁸⁰, to \$5.787B in FY 1998/1999⁸¹. During the last year of the Iran-Iraq war, Iran's military budget drained fifty percent of the nation's overall government spending. In a television interview in October, 1997, Iranian Defense Minister Ali Shamkhani stated that one of Iran's goals was "a drastic reduction of expenditures on arms and equipment, compared to other countries in the region, (by) relying on our domestic innovations,"⁸² (e.g., Iran's domestic arms production capabilities).

⁷⁸ Ibid., 3.

⁷⁹ Dariush Zahedi and Ahmad Ghoreishi, "Iran's Security Concerns in the Persian Gulf," *Naval War College Review*, Summer, 1996, vol. XLIX, no. 3, 12.

⁸⁰ Cordesman, *Trends in Iran: A Graphic and Statistical Overview*, 17.

⁸¹ *CIA World Factbook*, 1999.

⁸² "Iranian Defense Minister on Gulf Maneuvers," Islamic Republic of Iran Broadcasting (IRIB), October 16, 1997, in FBIS-NES-97-295. Available [FBIS]: FBIS Document ID: FTS19971021001463 [22 November 1999].

Iran probably adapted this goal out of necessity, rather than by desire. Given Iran's current economic situation, addressed in Chapter Four of this paper, it is not surprising that investment in Iran's military has continued to shrink. However, the size of the force in terms of manpower has risen from 250,000 in 1975 to 545,000 in 1999.⁸³ The "domestic innovations" mentioned by Defense Minister Shamkhani, include Iran's production of a number of weapons and weapons systems that the Islamic Republic previously purchased from other countries (Russia, China, and European nations). Iran's import of arms went from \$2.6B in 1988 to a mere \$350M in 1996.⁸⁴

To fill the void left by the decrease in arms imports, and to reduce the overall defense budget, Iran has begun to produce, often times by reverse engineering, several major weapons systems, including:⁸⁵

- Thunder 1 and 2 self-propelled artillery guns
- *Tosan* (Fury) light tank
- BMT-2 and Cobra armored personnel carriers
- *Parast* (Swallow) propeller-driven training aircraft
- *Dorna* (Lark) jet-powered training aircraft
- *Boraq* armored personnel carrier
- *Zulfiqar* main battle tank

In some instances, Iran produces these weapons systems and aircraft in order to replace its aging Western-supplied arsenal. The Iranian army still maintains 250 Chieftan tanks, 200 M-47/M-48 tanks, 150 M60A1 tanks, 150 M-109 155mm howitzers, and an

⁸³ Cordesman, *Trends in Iran: A Graphic and Statistical Overview*, 31.

⁸⁴ *Ibid.*, 22.

⁸⁵ Eisenstadt, *The Military Dimension*, 74-75.

estimated 400 Bell, Hughes, Boeing, Agusta, and Sikorsky helicopters.⁸⁶ Lack of routine upgrades, unavailable spare parts, and worn fire control systems have made these systems increasingly unreliable.

Iran's air force still maintains 55 F-4D/E aircraft, 60 F-5E/F aircraft, and some 60 F-14 aircraft. These aircraft are plagued by worn avionics, a lack of critical spare parts, and inoperable radar systems.⁸⁷ The Islamic Republic's navy is plagued with similar problems. Much of Iran's naval fleet, including its Alvand frigates and Hengam amphibious landing ships, suffer worn weapons and electronics suites, and several inoperable systems caused by a critical lack of upgrades and spare parts.⁸⁸ In many cases, the US-imposed sanctions against Iran have made it extremely difficult, if not impossible, for Iran to obtain spare parts and maintenance items for these aging weapons systems.

The Iranian Army

Since the revolution and the war with Iraq, Iran has attempted to modernize and mechanize its army whenever possible. It has done so with armor and artillery from China, Russia, and the Czech Republic.⁸⁹ The result has been a mix of Western and Eastern equipment, ineffective logistics and command systems, and a lack of training exercises and leadership schools to teach maneuver and combined arms warfare. The Iranian Army is moving toward separate and independent brigades, although division-sized units do exist. Military and government intelligence analysts agree that Iranian

⁸⁶ Cordesman, *Trends in Iran: A Graphic and Statistical Overview*, 27.

⁸⁷ Ibid.

⁸⁸ Ibid., 28.

⁸⁹ Chubin, *Iran's National Security Policy: Intentions, Capabilities, and Impact*, 40.

ground forces pose minimal threats to its neighboring countries, and even less threat to distant nations. Iran's Army (350,000 members) is made up of the following units⁹⁰:

- 4 Corps Headquarters
- 4 Armored Divisions
 - 3 Armored Brigades
 - 1 Mechanized Brigade
 - 4-5 Artillery Battalions
- 6 Infantry Divisions
 - 4 Infantry Brigades
 - 4-5 Artillery Battalions
- 1 Airborne Brigade
- 1 Commando Division
- 1 Special Forces Division
- 5 Artillery Groups
- Numerous independent Armored, Infantry, and Commando Brigades

Iran's army maintains approximately 1,400 main battle tanks, including T-54/55s, T-62s, T-72s, Chieftains, M-47/48s, M-60A1s, PRC T-99s, and PRC T-69s. Its armored personnel carriers (APCs) number 550, and include a mix of BTR-50/60 and M-113s.

Iranian towed artillery includes M-101A1 105mm; PRC T-54 122mm; D-20 152mm; M-114 155mm; and M-115 203mm. Self-propelled artillery pieces include M-109 155mm; M-1978 170mm; and M-110 293mm. The Iranian army maintains a fleet of AH-1J, CH-47C, Bell 214A, Hughes 300C, TH-53D, SH-53D, SA-319, and UH-1H helicopters.⁹¹

⁹⁰ *The Military Balance*, 126.

⁹¹ *Ibid.*

The Revolutionary Guard (RG) Corps

Iran has historically distrusted its regularly military, and therefore formed the Revolutionary Guard Corps (*Pasdaran Inqilab*) to offset the regular military. The RG consists of the following units, which may serve independently or with the Regular military forces:⁹²

- RG Ground Forces:⁹³

- 2 Armored Divisions
- 5 Mechanized Divisions
- 10 Infantry Divisions
- 15-20 Independent Brigades (Infantry, Armor, Parachute, Special Forces, Artillery, Engineer, Air Defense), and Border Defense Units

- RG Naval Forces:⁹⁴

- Bases at Al Farsiya, Halul (oil platform), Sirri, Abu Musa, Bandar Abbas, Boushehr, Halileh, Kharg Island, Chah Bahar, and Larak⁹⁵
- 40 Boghammar Marine Boats (armed with ATGW, RCL, machine guns)
- 10 Chinese *Hudong* with C-802 SSM
- 10 Kaman missile patrol boats
- Controls coastal defense element including artillery and CSSC-3 (HY 2) Seersucker SSM battery.

- RG Marines:⁹⁶ 1 Brigade of 5,000 Marines

⁹² Ibid., 127.

⁹³ Ibid.

⁹⁴ Ibid.

⁹⁵ *Janes Fighting Ships*, ed. Captain Richard Sharpe OBE RN (Surrey, England: Jane's Information Group Limited, 1998), 325.

The Iranian Navy and Coastal Defense Forces

Iran's recent determination to rebuild its Navy focuses on three goals: "the defense of the approaches to the Persian Gulf and Gulf of Oman; the defense of her own coastal areas; and the protection and defense of Iran's own shipping."⁹⁷ Presently, Iran's navy serves more as a coastal defense force than as a traditional "blue water" navy, with its primary missions including: "the deterrence of an active presence by an outside power in the region; the deterrence of easy riskless intervention by outside powers in a regional crisis; and the development of a capability to monitor and track shipping and to deny sea-control to outside powers."⁹⁸

Iran's Navy (20,600 – including 2,600 Naval Air and Marines), consists of major bases at Bandar Abbas, Boushehr, Kharg Island, Qeshm Island, Bandar Lengeh, Bandar Anzali, Bandar Khomeini, and Chan Bahar.⁹⁹ Major vessels include:

- 3 Kilo SS (Soviet) Submarines with 6 533mm torpedo tubes (the third Kilo sub was delivered in January 1997, and was the last major naval weapon system delivered to Iran¹⁰⁰)
- 3 Principal surface combatants
- 65 Patrol and coastal combatants
 - 2 Corvettes (US PF-103)
 - 21 Missile Craft (French and Chinese – shared between Regular Navy and Revolutionary Guard Corps Navy)

⁹⁶ *The Military Balance*, 127.

⁹⁷ Chubin, *Iran's National Security Policy: Intentions, Capabilities, and Impact*, 43.

⁹⁸ *Ibid.*

⁹⁹ *The Military Balance*, 126-128.

¹⁰⁰ Eisenstadt, "The Military Dimension," 93.

- 42 Inshore Patrol Craft
- 7 Mine Warfare Craft
- 5 Mine Countermeasures
- 9 Amphibious Craft
 - 4 Hengam LST
 - 3 Iranian Hormuz 24 LST
 - 2 Foque LSL
- 25 Miscellaneous support vessels

Iran continues numerous naval exercises in the Persian Gulf; in recent years these exercises have become less antagonistic and more displays of "peace, friendship, and stability."¹⁰¹ In an effort to improve military relations with its neighbors, Iranian vessels conducted port calls to Jeddah, Saudi Arabia, in March 1998; Iran and Oman often exchange reciprocal port visits. Further, Iran and Kuwait are considering joint naval exercises – the first such exercises between Iran and an Arab neighbor since the 1979 revolution.¹⁰²

The Iranian Air Force

Iran's air force maintains a nominally operational fleet of aging, mostly US-produced aircraft. The reliability and effectiveness of this fleet is questionable, due to worn avionics, a lack of critical spare parts, and inoperable radar systems. Only one-quarter of the Iranian air force's pre-war aircraft survived the Iran-Iraq War.¹⁰³

¹⁰¹ "Naval Commanders Preview Iran's 'Victory 8' Gulf Maneuvers," Republic of Iran News Agency (IRNA), October 8, 1997, in FBIS-NES-97-281. Available [FBIS]: FBIS Document ID: FTS19971008001101 [2 March 2000].

¹⁰² Eisenstadt, "The Military Dimension," 75.

¹⁰³ Chubin, *Iran's National Security Policy: Intentions, Capabilities, and Impact*, 40.

Due to high replacement costs, Iran has been unable to import sufficient aircraft to replace its aging fleet. Nor has it been able to obtain replacement parts to maintain high operational rates of its current aircraft.

Additionally, US-trained pilots and maintenance personnel have separated or retired from military service, or were casualties of the Iran-Iraq war, leaving less-qualified and poorly trained pilots and maintainers to fly and maintain the equipment.

Iran has, however, succeeded in procuring aircraft from China, Russia, Brazil, and Pakistan, including MIG-29s (air superiority/escort capable aircraft with air-to-air missiles and deep penetration capabilities) and SU-24s (long range – 790 – 1,600 km with airborne refueling) which can reach “virtually any target in Iraq and the southern gulf.”¹⁰⁴ Iran has purchased 12 Italian AB-212 helicopters, 20 German BK-117A3 helicopters, 12 Russian MI-17 helicopters, and approximately 40 F-7s from China.¹⁰⁵ Additionally, Iran acquired 115 combat aircraft (including 24 SU-4 and four MiG-29 aircraft), which Iraq sent to Iran during the Gulf War to escape destruction by coalition forces.¹⁰⁶

The air force is made up of approximately 45,000 members, including some 15,000 - 20,000 air defense personnel. Of the 307 combat aircraft on hand, operational rates range from 60 percent for US-type aircraft, to 80 percent for Chinese and Russian procured aircraft.¹⁰⁷

Air force units include nine attack squadrons (four with F-4D/E, four with F-5E/F, one with SU-24); seven fighter squadrons (four with F-14, one with F-7, two with MiG-29); one squadron of RF-4E reconnaissance aircraft; one squadron of Boeing 707/747

¹⁰⁴ Ibid.

¹⁰⁵ Cordesman, *Trends in Iran: A Graphic and Statistical*, 25.

¹⁰⁶ Ibid.

¹⁰⁷ *The Military Balance*, 128.

tanker/transport aircraft; five transport squadrons (Boeing 707/727/747, C-130E, F-27). Additionally, the air force maintains 46 helicopters (AB-206A, Bell 214C, CH-47) and approximately 110 training aircraft, including Beech F-33A/C, EMB-312, PC-7, T-33, MiG-29B, F-5B, TB-21, and TB-200.¹⁰⁸

Weapons of Mass Destruction: Nuclear, Biological & Chemical

Iran's most formidable threat to its neighbors and beyond is clearly its proliferation of weapons of mass destruction. Iran's WMD capability, specifically speculation about its nuclear program, has gained increasing presence in the international press. A recently published Central Intelligence Agency (CIA) report claimed that Iran may now be able to make a nuclear weapon.¹⁰⁹ The report further stated that "Russia might be broadening its nuclear trade with Iran" and that "Russia would continue its commercial nuclear cooperation with Iran, especially its program to help Iran complete two large reactors at Bushehr."¹¹⁰ Iran continues to deny that it has a nuclear weapons program.

Iran's proliferation of WMD, and the systems with which to deliver these weapons, presents a serious danger to the region's stability. Although Iran is a recent (1998) signatory to the Chemical Weapons Convention, and to the Nuclear Non-Proliferation Treaty, few nations believe that Iran is not continuing to develop its WMD capabilities.

¹⁰⁸ Ibid.

¹⁰⁹ James Risen and Judith Miller, "CIA Tells Clinton an Iranian A-Bomb Can't be Ruled Out," *New York Times*, 17 January 2000, A1.

¹¹⁰ Ibid.

Iran's civilian nuclear program is under International Atomic Energy Agency (IAEA) safeguards. When the two nuclear power plants at Bushehr are completed and operational, they will be under IAEA safeguards and standards. What does not make sense about Iran's pursuit of nuclear power is the high cost of building and operating these power plants, and Iran's natural gas wealth. Natural gas is a more economic, less dangerous source of generating electricity. Therefore, it is difficult to imagine that Iran's motivation behind its pursuit of nuclear power is anything but its desire to develop nuclear engineers, knowledge, experience, and expertise for the future development of nuclear weapons.

The view from Tehran probably makes it easier to justify Iran's pursuit of WMD. Iran desires to surface as a preeminent power in the Gulf. It faces geopolitical isolation and several threats from neighboring states. Pakistan, India, and Israel all sit at the nuclear roundtable. Despite United Nations-imposed sanctions, Saddam Hussein has undoubtedly made significant strides in the development of all types of WMD, most threateningly nuclear weapons.

Iran suffered WMD (chemical) attacks during its war with Iraq; understandably, it wants to be sure it never finds itself in such a position of vulnerability again. Iran seeks WMD for legitimacy in a hostile and volatile region, for deterrence more than offensive reasons.

Ballistic Missiles

Another area of significant concern involving Iran's military might is its recent procurement and productions of missiles and missile systems capable of reaching

neighboring Middle East and European countries. Iran currently works with North Korea to improve Chinese C802 65-mile range naval cruise missiles Tehran purchased from China in the mid-1990s.¹¹¹ Further, Iran has begun mass production of Towsan-1 and M113 anti-tank guided missiles (ATGMs), an Iranian version of the Russian 9K113 Konkurs, which will be deployed with Iran's lightly armored vehicles and has a maximum range of 4,000 meters.¹¹²

Intelligence sources also believe Iran is now producing standard 9M113 high explosive anti-tank (HEAT) missiles, as well as "reverse engineering" a copy of Raytheon Systems Company's tube-launched, optically-tracked, wire-guided (TOW) missile, and the McDonnell Douglas Dragon ATGW. The United States provided Iran both the Raytheon TOW and the McDonnell Douglas Dragon in the early '70s, prior to the fall of Shah.¹¹³ Intelligence agencies from several nations closely monitor Iran's missile-delivery capabilities, anticipating that the country might attempt to adapt its newer missiles for the deliver of weapons of mass destruction.

Iran has also continued to expand its ballistic missile capability. It has obtained North Korean Scud C and Chinese CSS-8 missiles that are capable of attacking targets within 300 miles.¹¹⁴ Iran is currently able to target cities throughout the Gulf, "including all of Bahrain, Kuwait, USA, and Qatar, and the Gulf Coast of Saudi Arabia (and) the northern part of Oman."¹¹⁵ Iran has received assistance from China, North Korea and

¹¹¹ Michael Evans, *London Times*, 11 January 2000. Available [Online]: <<http://ebird.dtic.mil/Jan2000/e20000222tehran.htm>> [12 January 2000].

¹¹² Christopher F. Foss, "Iran Starts Mass Production of Russian Konkurs Missile," *Jane's Defence Weekly*, 12 January 2000. Available [Online]: <<http://ebird.dtic.mil/Jan2000/s20000112iran.htm>> [12 January 2000].

¹¹³ Ibid.

¹¹⁴ W. Seth Carus, "Iran as a Military Threat," May 1997. Available [Online]: <<http://www.ndu.edu/inss/stforum/forum113.html>> [5 October 1999].

¹¹⁵ Ibid.

Russia in developing its new long-range missile, the Shahab-3, which has a range between 620 miles and 700 miles.¹¹⁶ Iran continues the expansion of its Shahab program, planning the Shahab-4 and -5 versions, which could have up to the 3,400 mile range.¹¹⁷

¹¹⁶ Bill Gertz, "Reports That Iran Sold Scud Missiles Spur Investigation," *The Washington Times*, 23 November 1999, A3.

¹¹⁷ "Khatami Details Plans For 25 Defense Projects," *The Washington Times*, 29 September 1999, A14.

Chapter Four

The Economic Situation

During his election campaign in early 1997, Candidate Mohammad Khatami promised the Iranian people a return to the "rule of law" as well as economic reforms for the nation. Specifically, Khatami promised improved conditions for foreign investment, increased imports outside the petroleum industry, the acceleration of privatization, and reduced bureaucratic red tape throughout the government of the Islamic Republic.¹¹⁸

Khatami's campaign promises attracted seventy percent of the Iranian voters, citizens concerned more with unemployment, inflation, education, and health care issues than with political and religious disputes that continue between reformists and hard-line conservatives. Khatami's landslide election sent a clear message to the hard-line regime and to the world, that Iranian civil society is stronger than anyone imagined, and that the people of Iran were demanding change.

Now, nearly three years into President Mohammad Khatami's presidency, little has changed economically in Iran, and discontent about economic hardship runs rampant throughout the country. Iran's economy suffers from a fluctuating oil price, "the source of more than 80% of its hard-currency earnings and around half of its total revenue."¹¹⁹

¹¹⁸ Jahanigir Amuzegar, "Khatami's Iran, One Year Later," *Middle East Policy*, vol. VI, no. 2, October 1998, 77.

¹¹⁹ "Iran's Economy Ailing, Still," *The Economist*, 14 August 1999. Available [Online]: http://www.economist.com/tfs/archive_tfframeset.html > 8 February 2000.

The Iranian agriculture industry, which employs approximately one-quarter of the nation's workforce, has suffered from Iran's worst drought in 30 years.¹²⁰

This chapter will examine the current economic situation in Iran, in an attempt to determine how badly Iran is hurting economically and what affect, if any, US economic sanctions are having on the Iranian economy.

Facts on Iran's GDP, Imports, and Exports

The CIA's *World Fact Book*, 1999, summarizes Iran's economy as "a mixture of central planning, state ownership of oil and other large enterprises, village agriculture, and small-scale private trading and service ventures."¹²¹ The CIA report also estimates Iran's unemployment rate at above thirty percent, and the percent of its population living below the poverty line at fifty-three percent.¹²²

The CIA estimates Iran's 1998 Gross Domestic Product (GDP – purchasing power parity) at \$339.7B, its total 1999 imports at \$13.86B, and its exports at \$12.26B.¹²³ Iran imports machinery, military supplies, metal works, food, pharmaceuticals, medical and technical services, and refined oil products primarily from Germany, Italy, Japan, the United Arab Emirates, Great Britain, and Belgium. Chief export commodities of Iran include petroleum, carpets, fruits, nuts, hides, iron, and steel, exported mainly to Japan, Italy, Greece, France, Spain, and South Korea. The CIA also estimates Iran's annual growth rate for 1999 at -2.1%, and its per capita income at \$5,000.¹²⁴

¹²⁰ "Iran's Economy Ailing, Still."

¹²¹ *CIA World Factbook*, 1999.

¹²² *Ibid.*

¹²³ *Ibid.*

¹²⁴ *Ibid.*

The Oil, Gas, and Petroleum Industry

As mentioned above, Iran depends heavily upon its oil and gas industry. One of President Khatami's campaign promises, and a major initiative of his economic reform plan, was to "reduce Iran's dependence on oil and oil reserves, and the shift of oil revenues from current expenditures to investment."¹²⁵ In fact, most sectors of Iran's economy still rely heavily upon oil revenues to finance imported goods. However, Iran's oil production has never returned to the pre-revolution level of 5.7 million barrels per day (bpd).¹²⁶ Iran's average crude oil production has remained 3.6 bpd for the past several years.¹²⁷ Although Oil Minister Zanganeh hopes to boost Iran's production to 6 million bpd by 2010, industry experts are skeptical that Iran has the technical know-how and functioning equipment to attain that goal.

Iran maintains oil reserves estimated at 93 billion barrels, roughly equivalent to the individual reserves of the United Arab Emirates and Kuwait. However, at the beginning of the revolution, Iran lost many of its educated and technically skilled citizens to foreign countries. This loss has significantly affected Iran's ability to increase its production capacity on current oil fields, and made it difficult to develop new fields. Due to the recent low prices on oil, Iran's oil income has continued to decrease. This decrease, coupled with high inflation rates, corruption in government, and the subsidies Iran applies to oil and gas used domestically, has wreaked havoc on Iran's economy.

¹²⁵ Cordesman, *Trends in Iran: A Graphic and Statistical Overview*, 8.

¹²⁶ Eliyahue Kanovsky, "Iran's Sick Economy," in *Iran Under Khatami: A Political, Economic, and Military Assessment* (Washington: The Washington Institute for Near East Policy, 1998), 55.

¹²⁷ US Department of Energy, *Energy Information Administration Factbook. Iran, 1999*, Available [Online]: <<http://www.eia.doe.gov/emeu/cabs/iran.html>> 22 January 2000.

Iran maintains the second-largest natural gas reserves (next to Russia), estimated at 812 trillion cubic feet (Tcf). However, in 1996, Iran produced only 2.6 Tcf of natural gas, half of which was marketed and the other half re-injected or flared (burned off).¹²⁸

The US is able to have its current energy needs met without depending on Iran. But, although there is sufficient oil and natural gas on the world market today without having to depend on Iran's production of these commodities, increased consumption in the mid-term and long-term could eventually force the US, and other Western countries, to look to Iran to meet future energy needs.

Failed Agricultural Reform

Despite President Khatami's attempts to reform Iran's agricultural industry, the country continues to import nearly forty percent of its food.¹²⁹ Khatami's agricultural reform program included privatization of the industry, self-sufficiency, and agriculture becoming the main axis of economic activity in Iran.

Khatami spent 4.2 billion dollars in the agriculture sector, but the sector realized only a one-percent growth in 1996 and four percent in 1997.¹³⁰ Twenty-eight percent of the country's labor force is involved in the agriculture sector, which accounts for thirty percent of Iran's non-oil exports.¹³¹ The trade deficit in agriculture products exists because Iran grows and exports such crops as pistachios and olives, while it imports the majority of its wheat. Its long-range agriculture plan is to increase the amount of wheat

¹²⁸ Ibid..

¹²⁹ Cordesman, *Trends in Iran: A Graphic and Statistical Overview*, 7.

¹³⁰ "US Foreign Agriculture Service Exports Page," 1995, Available [Online]: <<http://www.fas.usda.gov/iran/>> [2 December 1999].

¹³¹ Ibid.

grown in the country, reducing the dependence on imported wheat.¹³² Iranian Minister of Agriculture, Issa Kalantari, (who also serves as Chairman of the United Nations World Food Council) indicates that his plan for Iran's agriculture industry includes the opening of 237 food processing plants with a combined annual capacity of 1.5 million tons of food products.¹³³

Although Kalantari's plans seems aggressive and forward-thinking, and although his ministry claims tremendous achievements over the past eight years, the fact is that there are a number of external, uncontrollable factors influencing Iran's agriculture industry. Dry weather continues to threaten Iran's new crop prospects. The current drought, projected to break in the spring of 2000, has also forced Iran to import more wheat and other agriculture products than it desires.

In 1999, the severe drought "wiped out a third of the winter-planted wheat and barley crops, and the wheat crop produced was the smallest in a decade."¹³⁴ This drought has forced Iran to import more wheat (estimated by the USDA at 700 – 900,000 tons in the last several months of 1999) from its main suppliers, Australia and Canada, both of which have produced "bumper crops" for the 1999/2000 season. Although the Iranian government has implemented several programs to improve water, soil, and irrigation systems, the fact is that these programs are insufficiently funded, often corrupt, and have

132 "Agriculture Ministry's Achievements," *Scientific, Economic & Critical (Monthly)*, September 1997, Available [Online]: <<http://www.netiran.com/htdocs/deconomy/970900xxde03.html>> [10 February 2000].

133 "Iran's Agricultural Sector," Available [Online]: <<http://www.cit.ics.saitama-u.ac.jp/iran/agriculture.html>> [2 February 2000].

134 "US Foreign Agriculture Service Exports Page."

proceeded much too slowly to have a major impact on reversing the effects of the current drought from which the country has suffered.¹³⁵

Another influencing factor in Iran's agriculture sector is the government's complex system of multiple exchange rates, addressed later in this chapter. Government subsidies and rampant corruption in Iran's business community also affect the agriculture sector. As Iran's population continues to grow, the agriculture sector has failed to keep pace with the new demands placed upon it, forcing Iran to import more food and agriculture products annually.

Iran imports dairy products from Holland, Germany, Great Britain, Belgium, Switzerland, Denmark, Finland, France, Italy, and New Zealand. In fiscal year 1995, Iran imported \$208.5 million in agricultural and fish products from the United States alone (these products are exempt from current US sanctions against the Islamic Republic).¹³⁶

In order for Iran's agriculture sector to better meet the country's need for food, and to contribute to the increase in Iran's economic growth and GDP, it needs better management, less governmental involvement and restrictions, improved quality (to compete equitably on the world market), and an overall increase in the cultivation of arable land (only about 11 percent of Iran's total land is now cultivated¹³⁷). Until action is taken in some or all of these areas, Iran will continue to rely upon the import of food and agriculture products to sustain its growing population.

¹³⁵ "Agriculture Ministry's Achievements." *Scientific, Economic & Critical (Monthly)*.

¹³⁶ "US Foreign Agriculture Service Exports Page," 1995, Available [Online]: <<http://www.fas.usda.gov/iran/>> [2 December 1999].

¹³⁷ Ibid.

Budget Deficit and Market Distorting Subsidies

Iran's economy suffered a financial crisis in the early 1990s, which forced the government to reschedule \$15 billion in foreign debt. In 1996, the oil market grew stronger, which enabled Iran to enjoy a somewhat stronger economy and pay its debts as scheduled. However, in 1997 and 1998, as oil prices continued to drop, Iran was forced to cut imports and, once again, fall behind in payment of its foreign debt.¹³⁸

The people of Iran realize that increased foreign investment is paramount to an improved economy. Iran attempts to attract foreign investment by offering tax, import duties, and customs duties exemptions to foreign companies. However, as long as Iran's *Majlis* (parliament) remains predominantly conservative and opposed to foreign investment in Iran's markets, economic reform will come to the country very slowly. Such conservative ideology, governmental red tape, and continued US sanctions will contribute to keeping foreign investment out of Iran and will, consequently, keep Iran's GDP low, its foreign debt rate and budget deficit high, and its troubled economy struggling to support a politically, economically, and socially frustrated population.

In an attempt to keep prices low and, consequentially, the general population placated, Iran heavily subsidizes oil products, electricity, gas, utilities, and food, to keep their costs low for domestic consumption. These subsidies cost the Iranian government approximately \$11 billion annually, and encourage "consumption, waste, and corruption, rather than production efficiency and a more equitable distribution of income."¹³⁹ Further, subsidies increase the nation's inflation rate, currently estimated at between 26 - 30%, and contribute to the overall ill health of Iran's economy.

¹³⁸ *CIA World Factbook, 1999.*

¹³⁹ Kanovsky, "Iran's Sick Economy," 59.

The Exchange Rate and the "Black Economy"

In the 1980s, Iran introduced a system of multiple exchange rates for the Iranian *rial*. This system has caused tremendous corruption and the emergence of a "black economy" of currency exchange in Iran. The International Monetary Fund has repeatedly attempted to convince Iran to adapt a single exchange rate for the *rial*. Instead, the Iranian government has maintained its complex and confusing system of multiple exchange rates:

- for favored imports/importers: 1,750 *rial* = one USD
- for other imports: 3,000 *rial* = one USD
- for Iranians traveling abroad: 4,800 *rial* = one USD
- free market rate: 5,500 *rial* = one USD
- for favored businessmen and government officials: 1,750 *rial* = one USD¹⁴⁰

This system affects oil exports and non-oil exports, including carpet exports, as well as all other sectors of Iran's economy. The system provides tremendous opportunity for black marketeering of foreign currency within Iran, and discourages potential foreign investors and bankers from doing business with Iran.

Under-Employment and Productivity

Iran's economy needs to generate 700,000 new jobs per year to meet the tremendous number of students graduating from its universities each year. In reality, however, the government is only able to produce 300,000 new jobs yearly. Many of the

¹⁴⁰ Ibid., 58.

public sector (e.g., government) jobs Iran does offer to its recent university graduates are low-paying, menial jobs in Tehran's massive, inefficient ministries.¹⁴¹ This "under-employment" of college graduates further detracts from Iran's economy and contributes to government inefficiency, corruption, and low employee morale and productivity rates.

Those graduates (accountants, engineers, chemists) not fortunate enough to land one of these government jobs are forced to take jobs as taxi-drivers or street vendors, further contributing to the overall restlessness and rising discontent of the population, particularly the young, recent university graduates.

Khatami's Failed Economic Plan

President Khatami's economic reform plan calls for doubling Iran's workforce from 15 million to 30 million over the next 20 years, attracting massive amounts of foreign investment, diversifying the economy, further developing Iran's oil resources (while simultaneously reducing Iran's dependence on oil revenues), and limiting inflation to increase the standard of living for all Iranians, including its poor.¹⁴²

Additionally, Khatami aims to increase and strengthen Iran's private sectors by privatizing many of the businesses and industries that were nationalized after the revolution. He plans to encourage women and young people to become actively involved in the economy, and encourage the development of export-oriented industry.

Unfortunately, three years into Khatami's presidency, Iran's economy still lacks the revitalization he promised during his campaign. Indeed, the slow pace at which his economic reform is crawling frustrates many Iranians who voted Khatami into office.

¹⁴¹ Sharham Chubin and Jerrold Green, "Engaging Iran: US Strategy," *Survival*, August 1998, 153-169.

¹⁴² Eliyahue Kanovsky, "Iran's Sick Economy," 63-65.

The country's inflation rate remains in the double digits. The citizens who supported Khatami in his bid for the presidency could very well abandon their leader if he is unable to turn the country's economic tide in a better direction soon.

Chapter Five

The Religious Dimension in the Islamic Republic

Islam is the world's second largest religion, and America's fastest growing religion. However, since the end of the Cold War, and the apparent demise of communism and victory of democracy in several of the former Soviet republics, the United States seems to have focussed on radical, militant, and fundamentalist Islam as the world's newest and greatest evil.

America's misunderstanding and ignorance of Islam fuels the suspicion and mistrust of Islam, Muslims, and Arabs in general. "A combination of ignorance, stereotyping, history, and experience, as well as religio-cultural chauvinism, too often blind even the best-intentioned when dealing with the Arab and the Muslim world."¹⁴³

Of course, one can hardly blame the average American's paranoia of Islam. From Saddam Hussein's call for "the world's Muslims to rise up and wage holy war against Western Crusaders,"¹⁴⁴ to the threat by the leader of Iran's 1979 revolution, Ayatollah Ruhollah al-Musavi al-Khomeini, to export Iran's Islamic revolution to the world, visions of demonstrators on the streets of Tehran burning American flags and calling for the death and destruction of "Evil Satan" remain fixed in the minds of most Americans.

Modern-day Muslims would profess that Islam is a religion of peace and submission. Indeed, the literal English translation of Islam from the Arabic is submission (specifically, submission to God's will). However, Ayatollah Khomeini referred to Islam

¹⁴³ John L. Esposito, *The Islamic Threat: Myth or Reality?* (London: Oxford University Press, 1992), 170.

¹⁴⁴ Ibid.

as "the religion of militant individuals who are committed to truth and justice... the religion of those who desire freedom and independence... who struggle against imperialism."¹⁴⁵

Religion in Iran

Iran's population is approximately 99 percent Muslim (89 percent Shi'a and 10 percent Sunni).¹⁴⁶ Baha'i, Christians, Jews, and Zoroastrians represent less than one percent of the population.¹⁴⁷ Although Iran's constitution declares that "the official religion of Iran is Islam and the doctrine followed is that of Ja'fari (Twelver) Shi'ism,"¹⁴⁸ the constitution also recognizes Jews, Christians, and Zoroastrians as "religious minorities... permitted to perform their religious rites and ceremonies."¹⁴⁹ The government is to allow these groups to worship freely without harassing or investigating their religious affairs or education.¹⁵⁰

¹⁴⁵ Ruhollah al-Musavi al-Khomeini, *Islam and Revolution: Writing and Declarations of Imam Khomeini*, trans. Hamid Algar (Berkeley, University of California Press, 1981), 28-29; quoted in Nikki R. Keddie, *Islam and Politics in Iran* (New Haven, Connecticut: Yale University Press, 1983), 166, n. 1.

¹⁴⁶ *CIA World Factbook*, 1999.

¹⁴⁷ "US Department of State Annual Report of International Religious Freedom for 1999: Iran," 9 September 1999. Available [Online]: <http://www.state.gov/www/global/human_rights/irf/irf_rpt/1999/> [29 December 1999].

¹⁴⁸ *Ibid.*

¹⁴⁹ *Ibid.*

¹⁵⁰ Islam is split into two major sects, Shi'a and Sunni, with the majority of the world's Muslims being Sunni. Shi'a Muslims are found mostly in Iran, Iraq, Yemen, Oman, Lebanon, Afghanistan, Pakistan, and India. In Arabic, *Sunnah* means customary. Sunni Islam is considered the customary Islam. In Arabic, Shi'a means following. A Shi'a Muslim is one who has a different view of the early history of Islam. Shi'a Muslims believe that after Mohammad (the prophet of Islam) died, Ali, one of Mohammad's original (and, in fact, his closest) followers, was to take Mohammad's place as the imam (or leader) of Islam. Sunni Muslims, however, believe that Abu Bakr, another of Mohammad's followers, was to be the imam. In

Government and security forces often harass members of religious minorities in Iran, regardless of their constitutional rights. These minority groups also face institutional discrimination by the government. They are barred from serving as school principals and denied public-sector employment based upon their religious affiliation. Non-Muslim storeowners are required to display their religious affiliation on their shop windows. University candidates must pass an Islamic theology examination before being admitted to any of Iran's universities, placing non-Muslim candidates at a distinct disadvantage.¹⁵¹

Islamic rule, as adapted by Iran upon the inception of the Islamic Revolution, involves the principle of *valayat-i faqih*, or "guardian or vice regency of the supreme jurisconsult – rule of the scholar."¹⁵² The adaptation of *valayat-i faqih* ended the separation of church and state in Iran, and granted the Supreme Leader of the Islamic Republic complete and total supervision over all branches of the government, answering only to *Allah* (God).

Over time (the Islamic Republic has existed for over twenty years), many Iranians have come to question the authority of the Supreme Leader. Specifically, three main factions exist, debating whether the Supreme Leader's power should be relative or absolute:¹⁵³

- a small group that completely rejects the principle of *valayat-i faqih*

fact, Abu Bakr did become the prophet's successor, and the Shi'a and Sunni saga continues to this day. From Akbar S. Ahmed, *Discovering Islam* (London: Routledge & Kegan Paul, 1988), 57.

151 "US Department of State Annual Report of International Religious Freedom for 1999: Iran," 9 September 1999. Available [Online]: <http://www.state.gov/www/global/human_rights/irf/irf_rp/1999/> 29 December 1999.

152 Geoffrey Kemp, *America and Iran: Road Maps and Realism* (Washington: The Nixon Center, 1998), 32.

153 Ibid.

- a conservative camp that believes that the Supreme Leader should maintain absolute power
- a group that believes that the power of the Supreme Leader should be limited to areas such as religious edicts and judiciary

This, in simplistic terms, explains the current struggle between the religious conservatives and the moderate reformists in Iran. The majority of the population has grown restless over the government's economic, cultural, and political policies. In 1997, the citizens of Iran elected President Mohammad Khatami, who promised, among other things, economic reform and return to the rule of law that existed before the 1979 revolution. Today, even Khatami's supporters have grown impatient with the slow pace of economic reforms, which directly affects the quality of life of most Iranians.

Most Iranians are ideologically nationalist. The reformists continue to support the Islamic Republic and want to see their nation continue as an Islamic regime. Their main concerns are poor economic conditions, unemployment, social issues, individual freedom, and their educational system. Generally, they desire improved relations with the West, as evidenced by remarks to that effect by Iran's leading reformist, President Khatami. They demand a sense of normalcy in their lives and moderation in their government, and believe that Islam should guide their lives, not control them.

Specifically, the reformists resent the religious, social, and cultural restrictions their government has placed on them; they realize that warmer relations with the West will translate to economic improvement, greater employment opportunities, and greater access to Western products, media, thought, and people. Reformist groups are normally made up of students, youth, women, and members of the intelligentsia. There are

exceptions, however, such as the religious clerics who are key members of reformist groups.

The hard-liners generally desire to keep Western influence out of Iran. They believe that the West, specifically the United States, has caused Iran's current economic hardships and they see it as their duty to protect the Islamic Republic's youth from the "Evil Satan." They support total power of the Supreme Leader, and are generally represented by religious clerics.

Historically, these conservatives, who see the United States as a danger to the Islamic Republic and the Gulf region, have controlled Iran's parliament, or Majlis. Led by Iran's Supreme Leader, Ayatollah Khamenei, the conservatives are willing to make only small concessions to Iran's growing reformist population, insuring that the hard-liners keep ultimate control of the nation.

Religion plays a large role in the lives of both the reformists and the conservatives. They attend Friday mosque services side by side, and continue to support the ideals of the Islamic Republic. Their differences lie in how they expect the government to affect the economy, the education system, domestic and foreign affairs, and their lives in general.

Youth and Islam in Iran

When Ayatollah Khomeini came to power in 1979, he challenged the women of Iran to breed a new Islamic generation. At that time, Iran's population was 34 million.¹⁵⁴ Iran's estimated population today stands at 65 million.¹⁵⁵ (The clerics have since

¹⁵⁴ Robin Wright, "The Iranian Revolution, Part II, Comes Into Focus," *Los Angeles Times*, 18 July 1999, M-1.

¹⁵⁵ *CIA World Factbook*, 1999.

retracted their request of Iranian women, and now preach the beauty of small families. The government now offers every form of birth control – condoms, pills, intrauterine devices, and vasectomies – free.¹⁵⁶⁾¹⁵⁷ Iran's population is also the world's youngest, with sixty-five percent of its population under the age twenty-five, and the most educated in Iran's history, with a literacy rate of eighty-two percent.¹⁵⁸

At the beginning of the revolution, it was the opposition of Iran's students to the shah's regime that led to the revolution's success. Today, Iran's youth have moved to the front line of politics, much as their parents did twenty years ago. Today's youth have grown up in a world of global politics, free elections, crumbling communism, thriving democracies, and the growth of Islam across the world. They have witnessed these events, though, from the sidelines, as their country remains isolated from much of the free world by sanctions imposed by the United States.

Since 1996, just prior to the last presidential election, Iran's voting age was fifteen. The youth vote contributed significantly to the election of President Mohammad Khatami. Realizing the impact Iran's youth had on this success, the conservative government recently returned the voting age to sixteen, in an attempt to reduce the number of young Iranians who would, most likely, vote for reformists in the February 18,

¹⁵⁶ Robin Wright, "Iran's Next Revolution," *Foreign Affairs*, vol. 79, no. 1, January/February 2000, 136.

¹⁵⁷ Abortion is prohibited by the Islamic Republic's Law on Islamic Penalties, 1991. Law 586, Articles 487 through 489, which establishes significant fines on a woman "aborting her own child." Available [Online]: <http://cyber.law.harvard.edu/population/abortion/Iran.abo.html> 29 February 2000.

¹⁵⁸ Robin Wright, "The Iranian Revolution. Part II. Comes Into Focus." *Los Angeles Times*, 18 July 1999, M-1.

2000 *Majlis* elections. This move effectively reduced the number of eligible voters to approximately 39 million, eliminating tens of thousands of young voters.¹⁵⁹

Many of Iran's political parties have a significantly large number of young people. For the 2000 parliamentary elections, the Iranian government licensed 111 political parties.¹⁶⁰ Below is a small sampling of political parties currently licensed by the Council of Guardians for the February, 2000 parliamentary elections:¹⁶¹

- Executives of Construction Party (a strong technocratic core)
- Islamic Iran Participation Party (pro-Khatami party)
- Islamic Labor Party (protecting the rights of workers and laborers)
- Militant Clerics Association (a left-leaning clergy association)
- Mujahedin of the Islamic Revolution Organization (advocates government intervention in the economy and in development)
- Office for Strengthening Unity (comprised mainly of student groups, most active of university-affiliated groups, has been involved in many physical confrontations with hard-liners)
- Islamic Coalition Association (supports Supreme Leadership, a coalition of grassroots, local Islamic clubs, and clerics)
- Tehran Militant Clergy Association (favors a market economy, very conservative culturally)

¹⁵⁹ William A. Samii, "Media Warned to Enforce Unity and Avoid Tension," *Radio Free Europe/Radio Liberty Iran Report*, vol. 3, no. 7, 14 February 2000. Available [Online]: <<http://www.iran-daneshjoo.org>> [15 February 2000].

¹⁶⁰ Ibid.

¹⁶¹ Ibid.

Democracy and Islam in Iran

Iran prides itself in being known as the most democratic country in the Middle East. All citizens, including women, are eligible to vote at the age of sixteen. "Iranian women are by far the most empowered in the Islamic world."¹⁶² They currently occupy fourteen seats in Iran's parliament; 300 serve in city and village level elected positions; and forty percent of university students are women, as are one-third of faculty members.¹⁶³

Iranians take their voting rights seriously, and voted at an unprecedented eighty-three percent of eligible voters in the election of their country's seventh president in 1997.¹⁶⁴ Iran's president, *Majlis* (parliament), and local officials are popularly elected. Iran has a constitution that outlines the rights of the citizens of the Islamic Republic, and establishes parameters under which the government and its leaders may operate.

There are, however, Iranians who are not satisfied with the current direction in which their government is headed. Many of these individuals constitute the majority of the membership in the political parties mentioned above. They want to see their government move even further toward a true democracy. Specifically, they are dissatisfied with the power yielded by Iran's Supreme Leader, and believe that his office should not be "above the law," but that it should be bound by the same laws and regulations that apply to the citizens of the republic. They deny that Islam should regulate all aspects of their lives.

¹⁶² Wright, "Iran's Next Revolution," 142.

¹⁶³ Ibid., 143.

¹⁶⁴ Farhang Rajaee, "A Thermidor of 'Islamic Yuppies'? Conflict and Compromise in Iran's Politics," *Middle East Journal*, vol. 53, no. 2., Spring, 1999, 217.

They continue to rally for human rights, freedom of the press, economic reform, a civil society, and improved relations with the West. Yet, they also remain nationalistic in their ideals. Their opponents, the hard-liners (conservatives or Islamists), argue for a "guarded society" with divine leadership or guardianship, which controls most aspects of daily life in Iran.

Not all agencies of Iran's government follow the acceptable norms of a democracy. There are several formal agencies of power which compete with each other, keep tabs on each other, and mediate each other when disagreements arise. The "Assembly of Experts," is appointed by the Council of Guardians to nominate and appoint the Supreme Leader. The "Council of Guardians" is appointed by the *Majlis* to ratify *Majlis* legislation and supervise elections. During the recent parliamentary elections, the Council of Guardians was responsible for approving or disapproving candidates to be placed on the ballot. The "COG" wields significant power, in that it is able to shape the elections by controlling who makes it onto the ballot and who does not. The "*Majlis*," or parliament, is popularly elected to approve government policy. Often, these groups are checking and re-checking each other, working under different rules and guidelines, making things such as foreign investment in Iran nearly impossible.

Hard-liners currently occupying *Majlis* and Council of Guardians seats made an earnest attempt at sabotaging the 18 February 2000 elections, disqualifying 576 reformists candidates of the 6,856 candidates registered to compete for the country's 290 parliamentary seats.¹⁶⁵ Some hard-liners reasons for disqualifying reformist candidates include appearing at reformist gatherings, contributing to reformist newspapers, and lack

¹⁶⁵ "Iran's Flawed Elections," *Washington Post*, 11 February 2000, Available [Online]: <http://ebird.dtic.mil/Feb2000/s20000221iran.html> [11 February 2000].

of Islamic credentials.¹⁶⁶ Conservatives had hoped that by eliminating as many reformist candidates as possible, they would enhance the chances of maintaining a conservative majority in the *Majlis*. This strategy failed and, although Iran has yet to release official election results, current estimates are that reformists won nearly sixty percent of the *Majlis* seats.¹⁶⁷

Still, compared to its Middle East neighbors, Iran is clearly farther advanced in terms of democracy than even the most progressive Middle East nations, most of which still deny suffrage and basic rights to women. Iran is quite possibly the best example of a democratically run Islamic nation in existence today. While the Islamic Republic must still make significant strides in areas such as religious freedom, human rights, and free press, we must commend Iran for making the progress it has realized to date in its attempt to succeed as a republic.

The United States' greatest dilemma with Iran will continue to be how far we can attempt to improve relations with President Khatami and his supporters, without increasing the already tumultuous co-existence of the conservatives under Khamenei and the reformists under Khatami. If we push too far, the Supreme Leader and the conservative members of the *Majlis* will accuse the President of collaborating with the "Evil Satan," and will denounce any efforts the reformists attempt to make. Such action will reinforce the hard-liners' claim that the United States is attempting to "infiltrate" Iran with spies and intelligence networks.

If we push too little, Khatami and his reformers might believe that we are not sincere in our interest to improve dialogue with Iran. In this instance, the hard-liners will

¹⁶⁶ Ibid.

¹⁶⁷ "Iran's Bright Hope," *USA Today*, 22 February 2000, A13.

continue to argue that all things Western are evil, and that we show no desire to improve relations. The Khamenei regime will undoubtedly allow Khatami and the reformists to make small, cautious, steps toward normalization with the US, especially if we make the right concessions and grant the right waivers to Iran. But both nations must maintain a cautious optimism about improved relations, and proceed with caution and discretion.

Chapter Six

Arguments For and Against Change

Political scientists, military strategists, sociologists, economists, diplomats, clerics, businessmen, and scholars have drastically diverging opinions concerning the direction in which relations between the United States and the Islamic Republic of Iran should proceed. Their convictions range from continued containment and isolation to full engagement with a reciprocal exchange of diplomats between the two nations.

One point to which most would agree, however, is that the Islamic Republic has seen dramatic change since the election of President Mohammad Khatami, and that he has made significant, unprecedented overtures toward the United States, regarding an improved dialogue and warmer relations. Although Khatami is limited politically in his ability to make a more direct and open gesture toward the United States (he must answer to the Supreme Leader and, in the past, has been cautious of his relationship with the conservative-minded *Majlis*), he represents a new political force in Iran that has heralded considerable change in world's opinion of that nation.

The Clinton administration has remained appropriately cautious of Iran and her intentions, reiterating its long-held objections towards Iran's support of global terrorism, opposition toward the Middle East peace process, and proliferation of weapons of mass destruction. Many Americans still harbor ill feelings toward Iran, fueled by memories of the 1979 hostage situation in Tehran and images of streets full of thousands of angry, hostile, chanting Iranians calling for "death to the Great Satan" and burning American flags.

The past two decades have brought much change to the world. From the collapse of the Soviet Union to the collapse of the Berlin Wall, the Iranian population has witnessed these changes from the periphery. They have taken in these changes while considering the situation in their own country. Iran faces a regime controlled by clerical leaders far removed from the reality and desires of the Iranian populace. The people of Iran see changes in other nations and desire the same freedoms. Freedom to think. Freedom to criticize. Freedom to live normal lives, uncontrolled by a suffocating theocratic government.

Their first step in achieving these freedoms was their election of President Mohammad Khatami in May 1997. Since then, change has come slowly to Iran, as Khatami and his reformist supporters constantly battle the conservatives who have controlled the parliament of Iran since the revolution in 1979.

Iran's Geostrategic Value to the United States

This paper has suggested several reasons why the Islamic Republic of Iran is important not only to the United States, but to the world. From the massive geographic land area of the country (1,636,000 square kilometers, or 613,660 square miles¹⁶⁸), to the rapidly expanding population (the CIA's July 1999 estimate, 65 million¹⁶⁹), Iran will always remain a significant power in the Middle East.

¹⁶⁸ *CIA World Factbook, 1999.*

¹⁶⁹ *Ibid.*

As OPEC's second largest oil producing country, second only to Saudi Arabia¹⁷⁰, Iran's importance will continue to grow as the world's demand for petroleum-based energy rises. Although Iran currently produces only five percent of the global oil output, it maintains nine percent of the world's oil reserves and fifteen percent of its natural gas reserves.¹⁷¹ As other oil sources run dry, and as demand for oil products gradually increases, Iran's reserves will become more important to the world's oil market. Additionally, Iran borders the Caspian Sea, the Caucasus (Armenia and Azerbaijan), and Central Asia, where huge oil and natural gas reserves are now being tapped, furthering Iran's importance in the region and, ultimately, to the US.

Opponents of improved US relations with Iran often do not consider the country's proximity to some of the world's most tumultuous nations, and how this proximity might work to the United States' benefit. Iran shares a 900-mile border with Iraq, one of America's most antagonistic enemies. Although official US policy toward Iran includes the "dual containment," of both Iran and Iraq, this policy could easily change to favor either Iran or Iraq, if they were to change the actions or policies to which the US objects. The region has already witnessed several US switches in alliance, as the US supported Iraq during the Iran-Iraq War, then fought Iraq during the Gulf War.

The fact that Iran shares this considerable border with Iraq should make Iran a potentially attractive US ally, particularly with Saddam Hussein obstinately refusing the United Nations' most recent attempt at inspecting Iraq's weapons of mass destruction. Even tentative US-Iranian cooperation against Iraq might convince the current Iraqi

¹⁷⁰ United States Energy Information Administration, April 1999. Available [Online]: <http://www.eia.doe.gov/emeu/cabs/iran.html> [27 December 1999].

¹⁷¹ Ibid.

regime to cooperate with UN weapons inspection officials, or at least send a signal to Iraq that improved US-Iranian relations are indeed plausible, if not probable for the future.

Increasingly, it appears that support and pressure are growing for the United Nations to lift sanctions against Iraq. By reaching out to Iran before the inevitable lifting of sanctions against Iraq, the US could effectively reshape the region's balance of power by capitalizing on Iran's past history with Iraq (specifically, the Iran-Iraq war and Iraq's use of chemical weapons against Iran). US-Iranian cooperation, or even an agreement between the two countries concerning a continually belligerent Saddam Hussein, could conceivably be attractive to Iran's increasingly modernist population.

Iran occupies half the coastline of the Persian Gulf and has the military capability of interfering with the open navigation of the Strait of Hormuz, through which a considerable portion of the world's oil transits. Since the 1979 revolution, the Iranian Navy (the Regular Navy and the Revolutionary Guard Corps Navy), that maintains a formidable presence in the Gulf, has often been antagonistic and aggressive, some would even suggest combative, in its activity in the Persian Gulf. Recently, however, "there has been some indication of a less confrontational approach by the Iranian Navy in its routine communications with [the US] Navy in the crowded seas of the Gulf."¹⁷²

Finally, the Iranian policy issues to which the US objects: support of international terrorism, proliferation of weapons of mass destruction, and opposition to the Middle East peace process, could be better approached through mutual cooperation and discussion, rather than containment and isolation.

¹⁷² Anthony C. Zinni, General, Commander in Chief, United States Central Command, "Testimony Before the House Appropriations Subcommittee On National Security," 17 March 1998.

US Sanctions and our European Allies

Martin Indyk, then Assistant Secretary of State for Near East Asian Affairs, recently stated that "It is important to remember that US sanctions policy seeks to influence the behavior of regimes, not to deny their people basic humanitarian necessities."¹⁷³ As the US-imposed sanctions against Iran continue into the twenty-first century, we will lose out on far more than just significant US business opportunities. Even as our government continues to selectively waive the sanctions when doing so represents the best interests of the United States, we anger many US allies who may share our objections to Iran's actions and policies, but disagree with the unilateral sanctions we have imposed against the Islamic Republic.

In 1992, the European Union began what it called a "critical dialogue" with Iran, attempting to engage the nation on the same issues to which the US chooses to apply sanctions, isolation, and containment.¹⁷⁴ The dialogue now proceeds on a government-by-government basis, with primary dialogues being effected by Paris, Bonn, and London.¹⁷⁵ Germany and France are particularly skeptical of US policy toward Iran, and object to our economic sanctions, which attempt to place trade restrictions on foreign countries' business with Iran.

¹⁷³ Martin Indyk, "Iran and the United States: Prospects for a New Relationship" (speech to the Asia Society, Washington, DC, 14 October 1999). Available [Online]: <http://www.state.gov/www/policy_remarks/1999/> [20 December 1999].

¹⁷⁴ Robert H. Pelletreau, Amb., Esq., "The State Department, Congress, and Iran: Developments During the Clinton Years" (speech delivered to the Middle East Institute's and the University of Maine's Program on The US Congress and Iran: Twenty Years After the Revolution, Washington, DC, 29 January 1999).

¹⁷⁵ Ibid.

In fact, when the US has found foreign firms in violation of the sanctions, we have historically granted them waivers for reasons of "national interest."¹⁷⁶ The result of these waivers seems to be the ambitious rate with which many European firms are now negotiating with Iran to close lucrative business agreements and investment projects in the Islamic Republic. Royal Dutch Shell and Elf Aquitaine, British and French firms respectively, recently negotiated major oil and gas "deals" with Iran, and have their sights set on continued developments in the attractive and profitable Iranian energy sector.

Although the US Government's continued granting of waivers of economic sanctions against Iran avoids legal protests from the European Union and the World Trade Organization, and safeguards US firms from potential acts of retaliation by European businesses and governments, these waivers lessen the severity and impact of the sanctions. As a result, we realize a certain erosion of the credibility of the US Government with regard to its foreign policy.

Not only have US-imposed sanctions continued to lose support internationally, they have also begun to come under increasing attack by US business, which loses millions of dollars in Iranian sales to their foreign competitors annually. US House and Senate members, particularly those representing the large constituencies of agriculture, manufacturing, and petroleum-based industry, oppose the current US sanctions policy, and are pushing for an economic impact study which could result in changes to current policy.

¹⁷⁶ Ibid.

Iran and US Business

US business is the real loser in the game of economic sanctions against Iran.

Although the Islamic Republic has suffered minimally as a result of our sanctions, the fact is that Iran has been able to meet most of its needs by turning to Europe, Russia, China, South Korea, and Japan. Even American-made products can be found in abundance at many Iranian stores, through black-market imports or imports from third-party nations that facilitate such imports. A coalition of US businesses, (now numbering over 600 and including such companies as Coca Cola, General Electric, Citibank, Procter & Gamble, Conoco, and Boeing) regularly lobbies the US Congress for a repeal to the current sanctions regime.¹⁷⁷ These companies argue that a repeal of sanctions would not only allow them to compete equally with their European and Asian competitors, but that it would send a clear and positive diplomatic message to Iran, that the United States is serious in its desire to improve relations with Tehran.

The era of US economic sanctions against Iran must soon come to a close. If the United States truly desires to effect change in Iran, the sanctions must be lifted, for all but military and dual-use (civil/military) equipment, in order to allow US business the opportunity to compete equitably among their foreign counterparts, and to allow the government to focus on other diplomatic and political initiatives to effectively engage the Government of Iran.

¹⁷⁷ Joe Barnes and Amy Myers Jaffe, "Let Oil Companies Talk to Iran." *The New York Times*, 2 August 1998, A-

Iran and Russia: Forcing the Relationship

As the United States continues to isolate and contain Iran, we force it to seek other sources for goods, products, and services that our sanctions and policies deny that country. Increasingly, the Islamic Republic has turned to Russia to meet these needs, particularly for military technology and equipment. Specifically, Russia contributes to Iran's nuclear program, which both Russia and Iran claim is strictly for civilian nuclear power and not for nuclear weapons. This support has been the target of repeated US objections and high-level US-Russian talks.¹⁷⁸

The CIA warns, however, that Russia's sale of nuclear technology to Iran is not limited to the civilian atomic energy sector. In fact, the CIA attests that Russia has "long sold sensitive nuclear and missile technology to Iran"¹⁷⁹ and that "Iran's domestic nuclear power program is being used to develop indigenous weapons."¹⁸⁰ In an early January, 2000, interview with Russia's Interfax News Service, Russian Defense Minister Igor Sergeyev confirmed that "Russia intends to maintain the dynamics of its bilateral ties with Iran in the military, military-technical, scientific-technical, and energy fields."¹⁸¹ Such statements have caused the US Government a great deal of concern, and have sent diplomats and policy advisors scurrying for ways to convince Russia to reconsider its nuclear and medium-range missile support to Iran.¹⁸²

178 James Risen and Judith Miller, "CIA Tells Clinton An Iranian A-Bomb Can't Be Ruled Out," *The New York Times*, 17 January 2000, A-1.

179 Ibid.

180 Ibid.

181 Ibid.

182 Eisenstadt, "The Military Dimension," 79.

Iran and Regional Security

Iran and Iraq have, for years, vied to be recognized as the region's hegemon. Although Shahram Chubin states that Iran "retains a capacity to act as a spoiler and irritant in a region of endemic instability,"¹⁸³ he also points out that "Iran's military arsenal, even when anticipated deliveries are counted, remains smaller than it was at the beginning of the revolution."¹⁸⁴ Many factors contribute to this reality: Iran's eight-year war with Iraq significantly decimated the nation's military might; US-imposed sanctions have made it difficult for the Islamic Republic to maintain and upgrade its American-supplied weapons systems, tanks, and aircraft; and Iran's current economic situation forces it to quell its ambitious growth program for its military forces.

Regardless, the smaller Gulf Cooperation Council states, as well as the larger countries in the region, consider Iran a portentous threat to the security and stability of the region. Particularly, Iran's suspected development of weapons of mass destruction threatens its neighbors enough to keep the region in a constant state of fear, instability, and mistrust. Although the Islamic Republic seeks to "organize regional security without outside powers... its Arab neighbors have concluded that there can be no security without them."¹⁸⁵

Ayatollah Ali Khamenei has recently increased his rhetoric for a withdrawal of US forces from the Persian Gulf, arguing that it is an insult to the Gulf countries to have US forces intervening in regional politics and security. On 19 January 2000, President

183 Shahram Chubin, *Iran: National Security Policy: Capabilities, Intentions, & Impact* (Washington: The Carnegie Endowment for International Peace, 1994), 9.

184 *Ibid.*, 8.

185 *Ibid.*

Mohammad Khatami reiterated the Supreme Leader's demands for expulsion of "Western" forces from the Persian Gulf. "The presence of foreign forces is at odds with our interests and those of other nations in the region," Khatami stated at a meeting with military officials in Homozgan, Iran.¹⁸⁶

However, Kuwait, Saudi Arabia, and several of the GCC states do not share Khamenei's and Khatami's common desire for US withdrawal from the region. In fact, for the foreseeable future, a US presence in the Gulf is almost a requirement for the maintenance of even an uncertain peace in the region. This continued presence, or a reduction in size of the presence, is a bargaining chip that the US could certainly use during future negotiations with the Islamic Republic, if desired.

Until Iran changes not just its policy but its actions, and until Iran shows the world that it is committed to taking whatever actions necessary to reform its image as one of the world's most feared and belligerent regimes, the international community will continue to view the Islamic Republic as a rogue state, and treat the country and its citizens accordingly.

Significant opposition to improved relations with Iran still exists in the United States, particularly with the powerful and vocal Jewish lobby. Such opposition can hardly be surprising, though, as Iran continues its strong anti-Israel statements, even calling for the "annihilation and destruction of the Zionist State."¹⁸⁷ However, the pro-Iranian lobby in the US also grows increasingly strong, especially from expanding (and

¹⁸⁶ "Iran Wants Western Forces To Leave Gulf," *The Washington Post*, 20 January 2000, A16.

¹⁸⁷ Afshin Valinejad, "Iran Leader Calls For Israel's Annihilation," *The Boston Globe*, 1 January 2000, A1.

increasingly wealthy) Iranian-American groups in the United States. The Iranian-American community in Southern California is estimated to be in excess of 300,000.¹⁸³

As these interest groups grow in numbers and power, and as they continue to pressure Congress to support their agenda, Congress will be forced to take a closer look at the current US policy toward Iran. Congress will then be faced with some difficult decisions about the direction in which US policy toward Iran is to proceed in the very near future.

¹⁸³ John L. Mitchell, "Iranians Bridging Cultural Gaps in Beverly Hills," *The Los Angeles Times*, 6 July 1999, B1.

Chapter Seven

Political, Diplomatic, and Military Proposals

Soon after Mohammad Khatami's election as the President of the Islamic Republic in 1997, he began to make cautious gestures to the world that Iran was ready to become a more open and cooperative member of the international community. Khatami made these cautious remarks fully realizing that his power to put actions behind his words was severely limited by the country's supreme leader, Ayatollah Ali Khamenei, and the conservative parliament, which yields the true power in Iran. Khatami's remarks, broadcast to the world via the Cable News Network, captured the attention of the world's leaders, particularly Western leaders, and hinted at the possibility of a change in the administration of Iran's domestic and foreign policy posture.

Since Khatami's speech, the US has procrastinated and its response has been hesitant. Although US Secretary of State Madeleine Albright responded to Khatami's speech by inviting Iran to join the US in "developing a road map toward better relations,"¹⁸⁹ neither Iran nor the United States has been willing to take a major step towards improving relations. As mentioned several times in this paper, the US demands that Iran stop its actions supporting international terrorism, halt its opposition to the Middle East peace process, and discontinue its pursuit of weapons of mass destruction. On the other side, Iran has demands of its own, among them the return of assets frozen by

¹⁸⁹ Kemp, *American and Iran: Road Maps and Realism*, 87.

the United States after the seizure of the American Embassy in Tehran some twenty years ago and the lifting of economic sanctions imposed against Iran by the US.

The stalemate between the US and Iran continues. Although both countries have taken small steps, and have begun informal dialogue, resistance continues from the US Congress and the religious hard-liners in Iran. Both countries share a strategic interest in the region. From energy to Iraq, economic trade to regional security, terrorism to weapons of mass destruction, the United States cannot ignore Iran as a legitimate and powerful nation in the region, just as Iran cannot ignore the US presence and interests in the region.

The United States and Iran have a considerable distance to travel before arriving at normalized relations. In fact, it may be years before either nation is even willing to accept fully normalized relations with the other. A twenty-year legacy of mistrust will be difficult to overcome. Although there are now several unofficial, informal exchanges taking place that contribute to improved relations, much more can still be done. There are additional initiatives that can now be taken by each country, which will facilitate even greater strides towards improved relations while allowing each to continue their rhetoric of objections toward the "belligerent" acts of the other.

A Cautious, Incremental Approach

The United States should pursue an incremental, yet cautious approach to dealing with Iran. We must first establish a coherent foreign policy, which clearly outlines goals and objectives to be attained for the region as a whole, as well as for individual countries. Our policy should outline Iranian policies and actions that the United States finds

objectionable, as well as expected actions or policy changes that would end our objections to those issues. Of course, our main concerns should continue to be Iran's support of international terrorism, its opposition to the Middle East peace process, and its proliferation of weapons of mass destruction.

Improvements to the US Visa Process and INS Procedures

The US has made a tremendous effort to improve the visa process for Iranian citizens desiring to visit the US. From Iranians wanting to visit their family members living in America to students seeking visas to study in America, it is presently easier for Iranians to obtain visas to visit the US than it is for American citizens to obtain visas to visit Iran.¹⁹⁰ The process remains costly and time-consuming, mainly because there is no US diplomatic presence in Iran. Visa applications are currently processed through the United States Interests Section at the Swiss Embassy in Tehran, without the presence of a US Foreign Service officer. During the period 1987 – 1997, 164,844 Iranians immigrated to the United States.¹⁹¹ This figure does not include Iranians traveling to the US under tourist visas or those granted political asylum.

The US has repeatedly asked the Islamic Republic to allow the stationing of a low-level US consular officer in Tehran, with the sole purpose of facilitating the US visa process. Iran continues to deny such requests. The US administration should continue to press Iran to allow a low-level US diplomatic presence at a friendly embassy, such as the Embassy of Switzerland.

¹⁹⁰ Ibid., 102.

¹⁹¹ 1997 *Statistical Yearbook of the Immigration and Naturalization Service* (Washington: U.S. Department of Justice, Immigration and Naturalization Service, 1998), 29.

Current US Immigration and Naturalization Service (INS) procedures are insulting to any Iranian entering America. Upon entry to the US, all Iranians (Iraqis and Sudanese as well) are photographed and fingerprinted for reasons of "national security" and to ensure that the visitors are not affiliated with a terrorist organization.¹⁹² Six visiting Iranian scholars protested these procedures on 3 December 1999, when they entered the US to attend a conference at Georgetown University's Center of Muslim-Christian Understanding in Washington.

The group felt they had been "singled out because they wore religious clothes and had beards."¹⁹³ The scholars were detained for several hours at the airport. This visit was under the Clinton administration's "People-to-People" program, which attempts to encourage increased dialogue between the US and Iran. Before the State Department granted their visas, the FBI investigated and cleared all six Iranians. After the "harassment and humiliation" by immigration officials at Kennedy International Airport, the six cancelled their participation and returned to Iran.¹⁹⁴

If the United States is truly committed to encouraging increased "people to people" exchanges of scholars, academics, and scientists, the effort must be coordinated through all government agencies to avoid future embarrassments such as the 3 December 1999 incident at Kennedy Airport. Dr. Geoffrey Kemp of the Nixon Center in Washington refers to these exchanges as "creative citizen diplomacy," and believes that

¹⁹² Jane Perlez. "6 Iran Scholars Drop Meeting, Faulting I.N.S.," *The New York Times*, 4 December 1999, A7.

¹⁹³ Ibid.

¹⁹⁴ Ibid.

such meetings are valuable in changing perceptions and reducing paranoia and suspicion among both Americans and Iranians.¹⁹⁵

Increase Cultural, Academic, and Athletic Exchanges

As the world's most powerful nation, the United States is obligated to take the initiative in encouraging, supporting, and facilitating improved dialogue between American and Iranian citizens. The result will be an increase in knowledge, understanding, and trust between citizens, which will only serve to foster better relations between our two nations.

We have recently participated in several such exchanges with Iran. From soccer teams to wrestling teams, business groups to educators, most have been extremely successful. Our sports teams have been met with respect and admiration in Iran, literally receiving "red carpet" treatment from their hosts.

The US should encourage its colleges and universities to engage in more academic exchanges with Iran, offering to fund some of the exchanges with federal funds. American institutes of higher education, particularly those with significant numbers of Iranian students, should form Iranian-American partnerships and student groups, and sponsor presentations of Persian art, culture, and history, to broaden American understanding in these areas. More American universities should be involved in student exchanges with Iran, such as "semester abroad" programs that would allow students from both cultures to experience life in America or Iran.

Athletic exchanges should move from the national level to the collegiate and secondary-education levels. Soccer and volleyball are two of Iran's premier sports.

¹⁹⁵ Kemp, *American and Iran: Road Maps and Realism*, 87.

American collegiate soccer, volleyball, and wrestling teams should be encouraged to host Iranian teams to compete in exhibition matches and tournaments in this country.

Additionally, US amateur basketball, baseball, and football teams should be encouraged to travel to Iran to present exhibition games in that country, to expose Iranians to other popular US sports.

The National Endowment for the Arts should seek and fund Iranian art exhibits to tour the United States. Persian carpet exhibits would probably attract considerable attention in many US metropolitan areas. Currently, the Smithsonian Institute in Washington, DC, displays Antoin Sevruguin's photographic exhibition "Sevruguin and the Persian Image: Photography of Iran, 1870 - 1930." A curator at the Smithsonian recently remarked that the exhibition receives favorable comments from visitors, who often inquire about other Iranian exhibits.

The Continued, Selective Lifting of Sanctions

As discussed in Chapter One, the United States' use of economic sanctions against belligerent states has not always succeeded in modifying the actions or behavior to which we object. Realizing this fact, the current US administration has, over time, granted waivers and removed certain commodities from the sanctions list against Iran. Doing so has proven to Iran that the United States' genuine motivation behind using economic sanctions is not to deny Iranian citizens basic humanitarian necessities, but to attempt to change the nation's actions concerning the "big three" issues previously discussed. Additionally, the selective lifting of sanctions has sent a message to Iran that

the US is, indeed, willing to make concessions toward improving relations between the two governments.

The United States has eliminated agricultural products, certain medical technology and medicine, and, most recently, aircraft safety parts and products from the list of commodities prohibited for export to Iran. To show its continued commitment to improved relations with Iran, and to send the message that the US is willing to pursue such relations with determined and persistent leadership, the United States should further eliminate sanctions against Iran to include all non-military, and non-dual use capable equipment and products. Making such an effort will not only benefit American business, it will also significantly contribute to Iran's fledging economy, while signaling our complete and total willingness to move toward a bilateral détente between the United States and the Islamic Republic.

Further, the US should lift the restrictions against Persian carpets and other Iranian handicrafts, foodstuffs, and art imports into this country. Such a gesture would minimally effect the US, while greatly benefiting Iran's economy, its national pride, and its hopes of eventually returning to its status as a full trading partner of the United States.

These actions, taken unilaterally by the United States, would build a strong case for our commitment for improved relations and would certainly encourage Iran to reciprocate with initiatives of its own. The US could expect Iranian responses that would address our major concerns with Iran's policies and actions.

Toward the Exchange of Diplomats

Even during times of conflict and war, civilized nations maintain diplomatic relations in an effort to resolve differences, improve relations, and end hostilities. The United States and Iran have been without diplomatic relations for twenty years. We have now arrived at the time when even the Iranian students who were involved in the takeover of the American Embassy in Tehran and the taking of American hostages from the Embassy realize the mistakes made by both nations, and encourage an improvement in bilateral relations between the US and Iran.

Abbas Abdi, a leader of the students who held the American hostages for over 400 days, now edits a liberal newspaper in Tehran and advocates a restoration of relations with the US.¹⁹⁶ Ibrahim Asgharzadeh, one of Abdi's partners in the Embassy takeover, now serves on Tehran's city council. Asgharzadeh stated in a 1999 speech that he invites the hostages to return to Iran, and that "we have a new language for the new world... we defend human rights, and we'll try to make Islam such that it won't contradict democracy."¹⁹⁷

Still, the Iranian government repeatedly refuses US requests to resume even a small diplomatic presence in Tehran. The US administration should continue to press Iran for such an opening, and as an incentive, should offer a limited return of Iran's diplomatic post to the United States, contingent upon Iran acting in reciprocity. If this request continues to be denied, the US has at least made a good faith effort at re-establishing diplomatic ties with Iran. This initiative will be viewed favorably by the

¹⁹⁶ Robin Wright, "Letter from Tehran: We Invite Hostages to Return: The Extraordinary Changing Voices of Iran's Revolution," *The New Yorker*, 8 November 1999, 38-39.

¹⁹⁷ Ibid.

world, and will make it extremely difficult for Iran to continue to deny the United States' offer with credibility or legitimacy.

The US Military Presence in the Persian Gulf

The potential of a repeated flare up of Saddam Hussein's aggression in the region justifies the United States' continued military presence in the Persian Gulf. This presence is in the best interest of the US, as well as the best interest of the nations in the region who are unable to defend themselves against Iraq's hostile tendencies. Our challenge is convincing the government of Iran that our presence represents the will of its own Muslim neighbors, such as Saudi Arabia, Kuwait, and other GCC states, and that our aim is neither military or economic domination of the Gulf, nor contentious action against the Islamic Republic.

In time, the US will be able to reduce its military presence in the region. Such a reduction is contingent upon Iraq's departure from its aggressive behavior toward its neighbors, Iran's emergence as a less hostile, more cooperative partner in the Gulf region, and concrete progress towards a complete and comprehensive Middle East peace.

Skeptics will argue that these events can never exist in the tumultuous environment of the Middle East. In fact, they would argue that a complete and comprehensive peace has never existed in the region. However, one could counter that we have never been closer to such a peace, and that with patience, persistence, and powerful leadership, the United States has an obligation as the world's true "superpower" to continue to serve as the architect and broker for attaining this peace.

Chapter Eight

Conclusions

Fascinating transitions have occurred in the Middle East over the past several years that have caused world leaders and political scientists to focus more closely on the region – a region that holds economic and political interest for the entire world.

Specifically, peace agreements between Israel and Palestine, and between Israel and Syria, are closer to becoming reality. Some of the region's oldest and most powerful regimes have seen changes in the key leadership of their countries. Israel, Jordan, Qatar, Bahrain, and Iran have changed presidents, prime ministers, or emirs. We can expect further changes in the political dynamics of countries such as Egypt, Saudi Arabia, and Syria, as the leaders of these countries continue to age, often without an anointed successor or vice president to assume their positions when the need arises.

Although European nations have improved diplomatic and economic relations in the Middle East, and have reaped the economic benefits of such relations, it is the United States that continues to serve as the key architect and powerbroker behind Middle East peace initiatives. (Italy, Germany, and Great Britain have recently moved to reestablish trade and diplomatic relations with Iran and Libya.) Israel's replacement of Benjamin Netanyahu with Ehud Barak as the country's prime minister has certainly breathed new life into what had become a stagnant peace process.

Iran's 2000 *Majlis* Elections

And now, at the beginning of the new millennium, the political landscape of another key Middle East country has embarked upon a dramatic change. In Iran's 18 February 2000 *Majlis*, or parliamentary, elections, Iranian citizens sent a clear message to the country's hard-line, cleric regime via the ballot box. Fed-up with twenty years of Islamic rule that has produced a crumbling economy, high inflation and unemployment rates, rampant government corruption, a low quality of life, and stifling social, political, and religious restrictions, Iranian voters overwhelmingly supported reformist parties and candidates in their February 2000 elections.

The reformists have promised to reverse the iron-fisted Islamic rule of the religious clerics, and to work to generally improve the lot of life for Iranians. They had hoped for a victory of fifty percent of the 290 seats in the *Majlis*, which would have shaken the stronghold currently maintained by conservatives in the parliament. (Reformists previously occupied only twenty-nine percent of the *Majlis* seats¹⁹⁸.) However, as the press began to release unofficial election results, the monumental proportion of reformist success became clear: they had won nearly sixty percent of the seats of the parliament.¹⁹⁹

Iran, the country in the Muslim world that gives its citizens more power to elect its leaders and representatives than any other nation in the region, has exercised that right and has chosen a new path for its country and its people. And though the world has always kept a close watch on Iran, it is watching even closer today.

198 "Iran's Election at a Glance," Reuters News Service. Available [Online]: <<http://www.iran-daneshjoo.org/cgi-bin/smccdinews/viewnews.cgi/>> [16 February 2000].

199 "Iran's Bright Hope," *USA Today*, 22 February 2000, A18.

The United States' "Big Three" Demands on Iran

The United States is, perhaps, watching Iran closer than any other country. For twenty years the US has considered Iran a "rogue" state, condemning its support of terrorism, its opposition to the Middle East peace process, and its pursuit of weapons of mass destruction. Although the US has warmed slightly to the Islamic Republic since the 1997 election of reformist President Mohammad Khatami, there has been no significant move, on the part of Iran or the United States, to truly improve relations. The US has not followed several of its European allies, including France, Germany, Italy, and Great Britain, who have moved to improve economic and diplomatic relations with Iran over the past several years. The results of the February 2000 elections underscore the strength of change in Iran.

The current US administration cannot ignore the significant signals now coming from Iran. Iranian citizens are tired of the brutally restrictive theocracy that attempts to control every aspect of their public and private lives. They have elected a modernist parliament who they hope will better represent their true desires, including improved relations with the West, particularly the United States. There is no longer any justification for the US to use the worn rhetoric of Iran as a "rogue state" to drive its foreign policy toward the Islamic Republic. The US Government must step back and look at Iran's strategic importance to the region - currently at a crossroads - where both Iran and the region are beginning to change.

No longer a "rogue state," the US should take all practical steps to engage Iran directly. While people-to-people programs are important, direct dialogue between the

two governments are critical to improved relations. The US should understand, and even encourage, Iran's national security interests in the region. We must revise our economic policy toward Iran immediately. US businesses must be allowed to compete and participate in Iran's oil and gas markets. Such an initiative would eliminate the unfair advantage European and Russian companies now enjoy in their business ventures with Iran, while sending an important message to the government of the Islamic Republic that we are ready for a change in relations.

Simultaneously, the US must continue to encourage other nations to join more forcefully in our objections to Iran's support of global terrorism. While reformists in Iran seem ready to condemn terrorist acts, hard-liners will undoubtedly continue their support of terrorist organizations. There is a chance, though, that the reformists, pressured by their pro-Western youth movement, may demand that Iran discontinue any support of terrorism; particularly if ending this support will translate to better relations with the West, and particularly the United States.

An End to the Era of Dual Containment

Current US national security strategy focuses on three core objectives²⁰⁰:

- To enhance our security.
- To bolster America's economic prosperity.
- To promote democracy abroad.

200 The White House, *A National Security Strategy for a New Century* (Washington: GPO, October, 1998), iii.

Further, our national security strategy aims to "build new bonds among individuals and nations, and to tap into the world's vast human potential in support of shared aspirations."²⁰¹

If we are to effectively carry out this strategy, we must take a new look at countries such as Iran, and compare the objectives of our security strategy with our current policy toward these countries. Do we have an effective strategy-policy match? In the case of the Islamic Republic of Iran, we have a strategy-policy mismatch. We cannot claim our strategy as "bolstering America's economic prosperity" and "promoting democracy abroad" if our policy is one of isolation, containment, and economic sanctions, particularly if such a policy has clearly not produced the results we desire from the government from whom we are trying to realize change.

It is for this reason that the current administration must examine closely the political events now taking place in Iran, and take the opportunity to send a strong, positive, and encouraging message to the Islamic Republic's president and supreme leader, that the United States is encouraged by the recent elections in Iran, and that we are ready to open a dialogue of peace, prosperity, and mutual cooperation. A good starting point for this journey of reconciliation would be US reconsideration of its stance on releasing the Iranian assets it has held since 1979.

We must also realize, however, that Mohammad Khatami is in his last year of his presidency prior to his re-election campaign in 2001. Therefore, after the new parliament takes office in Iran in May, Khatami will eventually shift his attention to his re-election campaign. Khatami's immediate priority, however, must remain Iran's domestic issues,

²⁰¹ Ibid.

the issues the reformists promised the citizens of Iran they would change; the issues that got them elected to the *Majlis*.

Understandably, Khatami will proceed cautiously in any dialogue with the US. His concern will be not to push for improved relations with the West at a pace that would anger the *Majlis*' remaining conservatives, as well as conservative Supreme Leader Ayatollah Ali Khamenei. Moving too quickly toward détente with the West, particularly the US, could alarm the conservative minority population, and could also threaten any future successes the reformists would hope for.

The key to US success in approaching Iran is to proceed with caution, patience, and determination. We must make the government of Iran aware that we are willing to make the first major move toward improved relations. We must continue with the small, incremental steps addressed in Chapter Seven, while keeping our finger on the pulse of the domestic politics of Iran. The first year of the new parliament in Iran will be critical to its continued existence as a substantial political apparatus in the government of the Islamic Republic, and will help to chart the future of this increasingly important and valuable nation.

The US must end its policy of "dual containment" of Iran and Iraq. Given current developments in Iran, from Khatami's election and his comments toward the West to the election of a reformist-dominated parliament, it is unfair and illogical for the US Government to continue to group Iran and Iraq together as enemies of the United States. Their motives and actions are separate and distinct. Their leaders have drastically different agendas.

The differences between the US and Iran will not be resolved if both sides continue to isolate and condemn the other. Neither country can continue to live in the past; both must look toward the future and toward the economic and political benefits of improved relations. In the Spring of 2000, the Clinton administration could make a profitable move by sending a congratulatory letter to both Ayatollah Khamenei and to President Khatami, expressing the United States' satisfaction with the practice of democracy in Iran, wishing the Republic success in its transition to the new parliament, and, once again, indicating the US desire to move toward improved relations with Iran.

The United States need not become a friend or an ally of Iran. However, it is imperative that the US accept the mutual strategic interests it shares with the Islamic Republic, and aggressively seek ways to overcome the differences it has with Iran in favor of forging agreements and less antagonistic policies that will serve to benefit both nations.

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